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THE WHITE HOUSE
WASHINGTON

March 21, 1978

Ham Jordan

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

THE BARON REPORT
THE TRANSITIONAL PERIOD OF
AMERICAN POLITICS

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
✓		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.



THE VICE PRESIDENT
WASHINGTON

March 20, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: THE VICE PRESIDENT *W*

I thought you might want to see the attached
Peter Hart analysis.

TO: The Baron Report

FROM: Peter D. Hart

SPECIAL REPORT: The Transitional Period of American Politics

*WFM
JMG
f*

President Carter's Job Rating

During his first year in office, President Carter tackled many of the most difficult and vexing issues confronting America. He attempted to deal with more issues in one year than most administrations would dare tackle in one term. Despite these efforts, the President is not being well received by the American public. His job performance rating has steadily declined.

The latest NBC News/AP nationwide survey, taken in mid-February prior to the tentative agreement of the coal strike, reveals the President's approval score at 34% (excellent or good)--a 21 point decline in some six months. Carter's decline is much steeper than the declines five of the last seven presidents experienced in their first year--only Truman and Ford had worse declines. Our statewide polls indicate that the American public still likes Jimmy Carter on a personal level, but even here he is no longer as popular as he was in the fall of 1977.

While there is a tendency to look at surveys as some kind of absolute measurement, I believe opinion polls can be likened to a pendulum. A coal strike settlement could have been the catalyst to improve the President's standing; the miners ended that possibility. President Carter has probably reached his low point and he should begin a comeback in the next several months. Improved prospects for the ratification of the Panama Canal Treaty,

and the adoption of a long-overdue energy bill should give the President the type of tangible accomplishments that were missing from his first 12 months in office. At the same time, if his job rating remains at this low ebb for any extended period of time, then these transitory perceptions of the voters may become deeply ingrained attitudes which will make it most difficult for the President to reestablish his popularity. One can only hope that Shakespeare's line from Measure for Measure, "The best men are molded out of faults, and, for the most, become the better for being a little bad," applies to President Carter.

One final point needs to be made about the relationship between job ratings and presidential trial heats. Many people believe that because the President, despite his low job rating, defeats all Republican rivals at this point in time, he will therefore win reelection. This type of logic is faulty for two reasons: first, an incumbent is always stronger in the pre-campaign period before his opponents get the sustained coverage he regularly receives. Second, the quality of the opposition is usually determined by the incumbent's showing in the polls. For example, a strong Gerald Ford or Lyndon Johnson would never have been challenged by Ronald Reagan or Eugene McCarthy. Likewise, a strong Jimmy Carter will not be challenged by Jerry Brown. Similarly, an up-and-coming Republican may choose to bypass the 1980 election if Jimmy Carter is strong. Many of these decisions will be made 12 months from now, and the performance of Jimmy Carter in 1978 may tell us more about 1980 than anything else.

The General Mood

For seven years Hart Research Associates has been asking the question, "Are things in the country generally going in the right direction or are they seriously off on the wrong track?" Today, we find the mood shifting toward an optimistic viewpoint. In six surveys conducted in 1978, a very small plurality believes things are headed in the right direction. This represents a definite improvement from the fall of 1977. At the same time, it should be noted that the President's job rating has not improved during this period. In fact, this is the first time we have not had a corresponding improvement for a president. Until now, these two measurements have tended to move in lockstep. This ties into a new attitude that Michael Barone, author of The Almanac of American Politics, has noted--Americans today seem to be more concerned with private matters and less concerned with government. Issues of social concern have been replaced by issues of self concern. We seem to feel that things can be okay with the country, even if the President is not doing a great job.

We are presently in a transitional period of American politics. With the Watergate scandal and the Vietnam War over, there is no cause which seems to capture the interest of the public. Americans seem to be more concerned with making their own lives work, and the present period is one of accommodation rather than confrontation. While the public seems aware of the changes and sacrifices that will be necessary to deal with our problems, few individuals seem personally ready to make those sacrifices. At present, it seems unlikely that the 1978 congressional elections will help us to define the next era in American politics.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

March 20, 1978

MEETING WITH TEACHER OF THE YEAR

Tuesday, March 21, 1978

2:15 p.m. (10 minutes)

The Oval Office

From: MARGARET COSTANZA *mc*

I. PURPOSE

To meet and give recognition to the 1978 Teacher of the Year, Elaine Barbour of Montrose, Colorado

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: The Teacher of the Year program is in its 27th year and it is traditional for the President of the United States to make this award. Last year, you presented the award to Myrra Lee of California. This year's winner, Elaine Barbour, was selected from intense competition with 46 States and Micronesia participating. The event is sponsored by Encyclopedia Britannica, Ladies Home Journal and the Council of Chief State School Officers.
- B. Participants: Elaine Barbour, Teacher of the Year; Henry Barbour (husband); Linda Barbour (daughter); Edna Littlepage (84 year old mother); Senator Garry Hart (Colorado); Representative and Mrs. Frank Evans (Colorado); Secretary Califano; U.S. Commissioner of Education Ernest Boyer; John Benton, Louise Benton, Charles Swanson (Encyclopedia Britannica); Lenore Hershey, Editor, and Robert Thomas, Publisher, Ladies Home Journal; Daniel Taylor, Chief State School Officer; David Hamilton, Superintendent of Schools, Montrose, Colorado; Calvin Frazier, Colorado Commissioner of Education.

- C. Press Plan: White House Photo

III. TALKING POINTS

To be provided by Jim Fallows

IV. CEREMONY OUTLINE

Following introduction, the President will present to Elaine Barbour:

- a. The Teacher of the Year Award
- b. The traditional crystal "apple"

Mrs. Barbour after accepting the honor will present to President Carter:

- a. Bookends made of geod from the teachers of the Montrose School District
- b. Geod rock samples for Amy from Elaine Barbour's students

FALLOWS TALKING
POINTS

THE WHITE HOUSE

WASHINGTON

March 21, 1978

MEMORANDUM TO THE PRESIDENT

FROM: JIM FALLOWS *JF*

SUBJECT: National Teacher of the Year Award - Elaine Barbour
March 21, 1978

1. Elaine Barbour, the teacher of the year, is 49 years old. She was raised in Kentucky, and educated at Ashland Junior College (in Kentucky) and Western State College (in Colorado). For the last 23 years, she has been an Elementary school teacher in West Virginia and Colorado. For two consecutive summers she was chosen by the National Education Society from thousands of applicants to teach African teachers in college method courses in Sierra Leone and in Ethiopia. Since 1975 she has taught 6th graders at Coal Creek Elementary School in Montrose, Colorado; it is her work there that the award honors.

2. This administration has emphasized the importance of helping our school children master the basic skills -- reading, writing, and arithmetic. Elaine Barbour has been a pioneer in that approach. She recognizes that every child learns at a different rate, in a different way; thus she tries many different teaching methods to reach a child who is having learning problems.

3. Elaine Barbour has emphasized to her students the importance of self-discipline, hard work, and responsibility to the community. She says that Coal Creek School is "more like a community of responsible citizens instead of a teacher-disciplined school". She brought students, teachers and community members together to renovate an "old, decaying, paint peeled school into a thing of beauty." Virtually all of this was done with volunteer effort, rather than taxpayers' money. She says, "The students are convinced that if you want something done, you work for it . . . a valuable insight."

4. Mrs. Barbour has also encouraged her students to understand the natural world that surrounds them; she emphasizes ecology and conservation as important on-going studies for her students. The students have dug a pond to study aquatic life and are now working on a solar greenhouse. They are now

rebuilding an 1876 pioneer log cabin that they moved to their five acre campus. They will turn it into a museum, a living history lesson on pioneer life. The school also has an "Outdoor Lab" which Mrs. Barbour has initiated. It contains 1200 trees and windbreaks planted by the students; bird observatories; all types of irrigation methods, and more.

You might mention your interest in some 60 different species of trees growing at Camp David, and that Amy has discovered the joy of pursuing such interests. Coal Creek School students have sent her a rock collection, which will be presented today.

5. Mrs. Barbour is an active member of the First Baptist Church in her community. Her school choir sings for the different rest homes at Halloween. They give up their school party to "treat, not trick". They sing for rest homes, conduct bingo games, and rake leaves for senior citizens.

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— THE WHITE HOUSE —
WASHINGTON

Talmdge - 60 mil. acres

- a) Maintain grain reserves
no price remove 330/670 mil bu limit
set
b) Emergency wheat reserve
~ 220 mil bu

? c) Soybeans 11 → $\frac{4.50}{bu}$
+ 80¢/bu in last week

d) Milk + 42¢ 4/1/78

e) Set aside commitment for '79

f) Inc set aside 15 → 22 mil

g) Nothing on wheat (Tolley)

Tolley Small paid discussion
Inc TP 1/1/ - modest

THE WHITE HOUSE

WASHINGTON

MEETING WITH FARM POLICY ADVISORS

Tuesday, March 21, 1978

2:30 p.m.

Cabinet Room

From: Stu Eizenstat
Lynn Daft

Stu

S

I. PURPOSE

The purpose of this meeting is to discuss the farm policy situation as described in Secretary Bergland's memorandum to you of March 13 and to decide on an Administration strategy.

II. PARTICIPANTS

The meeting will be attended by:

The Vice President
Gail Harrison, VP
Secretary Bob Bergland
Howard Hjort, USDA
Jim Webster, USDA
Bill Nordhaus, CEA
J. B. Penn, CEA
Jim McIntyre, OMB
Eliot Cutler, OMB
Frank Moore, CL
Dan Tate, CL
Jack Watson, IGR
Stu Eizenstat, DPS
Lynn Daft, DPS
Barry Bosworth, COWPS

III. BACKGROUND

Secretary Bergland's March 13 memorandum (Tab A) describes the economic and political setting in some detail. In brief, the memo says:

** In response to intense constituent pressure, the Congress is preparing to significantly alter the 1977 Farm Act. In all likelihood, these changes would be unacceptable, causing your advisors to recommend a veto.

- ** Economically, some segments of the farm community ... e.g. many producers of wheat, feed grains, and cotton ... are suffering from prices that are below their production costs. Though the prices of most of these commodities have strengthened since last fall, they are expected to remain near current levels for the remainder of the crop year.
- ** Secretary Bergland, with the support of your other farm policy advisors, plans to take a number of program actions that will help mitigate the underlying economic problems. However, these actions alone will not be sufficient to materially enhance farm prices nor to defuse the political situation.
- ** If we are to forestall action by the Congress (or avoid the over-ride of a veto), we must take one or more of the following actions: paid acreage diversion, an expanded grain reserve, or higher 1978 target prices.

Economic Condition of the Farm Sector. Of the total 2.8 million farms in the U.S., there are about 460,000 units with annual sales of \$40,000 or more. These farms comprise the heart of commercial agriculture and account for about 80 percent of total output. As evidenced by the trends in Chart I (Tab B), these units have experienced extreme instability in income since 1970. The rate of increase in farm indebtedness rose very sharply during 1971-73, slowed for a couple years, then resumed its rapid rate of ascent. Asset values have increased correspondingly, resulting in a relatively stable debt/asset relationship. However, the sharp reversal in net income has made it difficult for many operators to service their increased debt loads out of a reduced cash flow. The continued rise of asset values in the face of lower net income also means that the rate of net return to equity is reduced and is now lower than it has been in 25 years.

There does not appear to be a serious shortage of capital in rural areas. Though loan/deposit ratios in rural banks have risen, causing the capital market to tighten somewhat, the major credit problem is caused by the lower prices and incomes. Furthermore, survey data indicate that the loan/deposit ratio has now begun to fall, as has banker concern over the level of the ratio. Though farm loan repayments have been running

slow since late 1976, the percentage of banks reporting a slower rate of repayment has also begun to fall. In brief, then, the squeeze on rural banking resources appears to have at least temporarily peaked in the early fall of 1977. Recent trends in farm finance are shown in the materials at Tab C.

Another window through which to view the economic condition of the farm sector is that of production costs and the relationship of these costs to market prices and price support levels. With the exception of rice and peanuts, recent market prices have been below cost of production for most major field crops, despite the recent strengthening of markets. However, there are also wide regional disparities in cost of production (See Tab D), helping explain why so much of the current farm unrest occurs in the Southern Plains and parts of the Southeast.

Congressional Situation. It is best described as fluid. Agreement has been reached to take up the Talmadge bill at 9:00 a.m. Tuesday, followed by four hours of debate. The Dole bill and its debate are to follow, then both measures are to be voted on with back-to-back votes at 4:00 p.m.

Talmadge states that he is trying to keep his bill "clean", but anticipates amendments that will raise the target prices and loan rates (possibly McGovern). Talmadge would probably accept a McGovern amendment. Dole has agreed to have his bill considered separately, but speculation is very strong that he will offer his bill as a substitute to Talmadge.

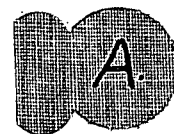
This likelihood would be strengthened if Foley develops a bill and similar language is offered as an amendment to Talmadge. We understand that Foley is developing a bill with increased targets and loans, including a provision to adjust these levels each year by the consumer price index. He would also include land diversion similar to Talmadge.

Analysis of the Options. The economic effects of these options are summarized in Table I (Tab E). They are compared to three legislative options now pending before the Congress -- the Talmadge bill which provides for paid acreage diversion, the Dole bill which links a sliding target price to the share of producer acreage set-aside, and the Foley bill which raises target prices and loan rates.

- o Budget costs are highest for those measures that raise target prices -- this includes both the Dole and Foley bills. Additional budget costs of \$1.5 billion could result.
- o None of the Administration initiatives nor the Foley bill would have any significant effect on food price inflation according to the USDA analysis. The Talmadge and Dole bills would add \$2.7 to \$3.5 billion to consumer food expenditures.
- o Adoption of either the Talmadge bill or the Dole bill would preclude accomplishment of the Administration's 30 to 35 mmt grain reserve objective.
- o Adoption of the Talmadge bill would result in the idling of vast acreage -- about 62 million acres -- with associated community impacts to be expected.
- o In the absence of a change in policy, producer returns for the 1978 crop are expected to fall short of cost by over \$400 million.

APPENDIX INDEX

- A. Secretary Bergland's memorandum of March 13, 1978
- B. Trends in farm operator family income
- C. Farm finance trends
- D. Cost of production data
- E. Economic effects of farm policy options
- F. Agricultural price trends





DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250
MAR 13 1978

MEMORANDUM TO: THE PRESIDENT

SUBJECT: Agriculture Policy

The political situation for agriculture has now reached a decision point. The Senate Agriculture Committee will report a bill, sponsored by Senator Talmadge, that mandates a massive paid land diversion. This bill will most certainly pass the Senate. It may move to the Senate floor on Friday, March 17. We do not plan to actively fight this measure. To do so would only draw more attention to it and force a showdown roll call vote. ?

We must be prepared to either stand firm, propose new initiatives of our own, or react to proposals in the House.

The political implications of this decision are significant. We have been meeting to explore the options available to us and to assess their relative economic and political merits. In this memorandum, we review the political and economic situation and outlook, assess the major options, and finally, seek your guidance as to the appropriate strategy and actions.

Policies Under Attack

The current attack on our food and agricultural policy is in part a legacy of the atypical conditions that existed in 1972-75. However, the unparalleled prosperity for agriculture was not shared equally by all farmers. While crop farmers enjoyed record incomes, the livestock sector was severely jolted and suffered one of its most unprofitable periods ever. After two decades of chronic surpluses, and low prices and incomes, crop producers were eager to believe that agriculture was entering a new era -- an era in which prices and incomes would continue at high levels. Not only did many over invest and incur large debts on the basis of unsustainable conditions, many also grew accustomed to a higher standard of living which they are most reluctant to reduce.

Our reexamination of current conditions in the farm sector suggests that the number of farmers forced into bankruptcy is quite small, though many are having severe cash flow problems, and renters in some areas are having difficulty obtaining operating capital. In some areas credit commitments are being met first out of reduced incomes, leaving less to maintain the families standard of living. There are localized areas where costs have risen relative to other areas and poor crops due to drought in 1977 combined with low prices made the problem particularly severe. In general, renters are more adversely affected than are owner-operators. Owners have benefitted from land price increases which enables them to borrow on equity for operating capital. Renters do not have this option; low commodity prices and increasing production costs soon places them in a cost-price squeeze.

In the view of many farmers and members of Congress, market prices are simply too low and they do not believe that the 1977 Act will support a viable farm operation. Based on their cost of production, protesters think much higher prices levels are needed to achieve returns for agriculture comparable to earnings in the non-farm economy. Our data suggest that prices at lower levels, but above current ones, will accomplish this objective.

The farmer dissatisfaction which began as a local "strike" movement has grown into a widespread farm protest. However, it is not uniformly strong across the country. It is concentrated in areas that had poor crops or low prices relative to costs, and it has attracted mostly cash grain and cotton producers. Other crop and livestock producers have largely remained on the sidelines; cattle producers have only been peripherally involved. They recognize that their prospects are improving, but meat imports remain a particularly sensitive point with them.

The protest movement has been positive in that it served to publicize low returns to farmers and to raise the level of public knowledge and concern. But it has also generated significant political pressure on the Congress to take action in this election year. The American Agriculture Movement (AAM) was first ignored by the established farm organizations. But, they have now joined in pressing Congress for action, although most do not support the specific proposal of the AAM.

Proposed Solutions

A number of proposals have been advanced to provide more assistance to agriculture. Most of the major farm organizations are arguing for either additional land being taken out of production or for some combination of higher target and loan prices. The Farm Bureau, the Farmers Union, the Grange, the National Wheat Growers Association, and the National Corn Growers all favor a paid land diversion program, to encourage greater participation in the farm programs. The National Farmers Organization and the Farmers Union both favor higher support levels, at or approaching 100 percent of parity prices.

The AAM's proposal is to mandate that all farm commodities (including exports) be traded at no less than 100 percent nor more than 115 percent of the parity price. To prevent surplus production, sales would be tightly controlled through marketing quotas and certificates, and imports that compete with domestically produced products could only enter at prices above parity.

The AAM proposal is significant in that it is based on a philosophy of the role of government in agriculture that is directly counter to that embodied in the Farm Act of 1977. Their solution implies a highly regulated agriculture for which there is little remaining opportunity for the market to function. In fact, the sector would be regulated to the point that it would be little different from a public utility.

In contrast, the philosophy of the 1977 Farm Act is that market prices should freely operate within a wide range bounded by loan levels at the bottom, and grain reserve release prices to provide protection against runaway prices for consumers and the economy at the top. Though circumstances make more Federal involvement in agriculture necessary at some times than at others, the trend in policy and programs since the mid-1960's has been toward greater reliance on the market and providing greater producer freedom in deciding how to use resources. This Administration has supported this philosophy, although present conditions require greater Federal involvement than we hope will be necessary in the future.

However, we should be fully aware of what this approach entails. We must periodically endure intense pressure from farm interests when prices are near the lower bound and likewise, pressure from consumer interests will be severe when prices are near the upper bound. Stable prices within the range will, of course, bring more tranquil times. This problem is inherent in any approach that relies on the market and must be accepted if the highly regulated approach is rejected.

Assessment of the Legislative Situation

The Senate Agriculture Committee will meet at 10:00 a.m. Monday to consider the Talmadge bill. Senators Dole, McGovern and Melcher are expected to offer amendments, but we expect the Talmadge bill to be reported with only minor modifications. The Chairman intends to attach the Committee bill to a House-passed bill making technical changes in raisin marketing orders.

If the Senate passes the Talmadge bill, as expected, the House Committee will be pressed to have the Senate amendments accepted on the House floor, so the matter could move to a Conference Committee quickly. Such a strategy could have the bill on your desk by April 1. However, there will be opposition in the House although it is uncertain whether it will be sufficient to defeat the bill.

Without this accelerated approach, the bill could not be passed until late April or early May, too late to have an impact on 1978 plantings.

We conclude that the Senate is certain to pass the Talmadge bill or a stronger one, but the outcome in the House is unpredictable. An Administration initiative may prevent House action.

The Case for an Administrative Initiative

Our assessment of the Congressional situation suggests any legislation coming from the Congress probably will necessitate a veto. To avoid this the Administration must take the initiative. The case for doing so is based both on political and economic considerations. We turn now to the case on economic grounds.

The Agriculture Economy

The rapid rise in farm product prices led the inflationary surge that began in 1972. However, the farm sector has not been a contributor to persistent inflation since 1974. Actually, prices received by farmers declined from 1974 to 1975, and were stable from 1975 through 1977, while the prices of goods and services in the general economy have continued to rise.

Prices of inputs purchased by farmers from the non-farm sector have continued to rise rapidly since 1972, and have remained above prices received since mid-1976 (see Figure 1). Farm income has declined each year since 1973 and leaves purchasing power where it was in 1971.

Prices Below Cost

Although farm prices have improved recently, they remain well below average production costs for producers of cotton, wheat and feed grains, even when prices are adjusted for deficiency payments:

Item	Unit	Farm Price 2-15	Season Average 1977-78	Cost of Production*
Corn	\$/bu.	2.00	2.00-2.10	2.30
Wheat	\$/bu.	2.58	2.75-2.85**	3.36
Cotton	¢/lb.	48.8	50.0	65.0
Rice	\$/cwt.	11.40	9.40-9.60	9.45
Peanuts	¢/lb.	21.5	21.5	17.0
Milk	\$/cwt.	10.20	10.10-10.30	10.30

* Includes costs to renter, including return to owner of land, and allows for machinery and equipment ownership. Does not include return to management but prices labor used in the production process at the manufacturing wage rate.

** Includes deficiency payments.

Income Supports Below Costs

The amount of support provided by commodity programs relative to expected prices (including deficiency payments) in 1978 is shown in Figure 2. This comparison shows that the supports provided through government programs are below full production costs for most commodities. The support programs need not cover all costs, but all costs must be covered over time to have a viable agriculture sector. The more favorable treatment accorded some commodities than others is extremely difficult to justify on economic grounds.

Supply-Demand Imbalances

The world is relatively well supplied with farm commodities. In recent years several million more acres have been used to grow crops in the United States than the market required. This extra production was added to stocks. By the end of 1977/78, stocks of all our major commodities will be adequate to excessive. Wheat stocks will be near 1.2 billion bushels; corn stocks will likely exceed 1.1 billion bushels; soybean stocks will be 200-250 million bushels; and cotton stocks of 5.0-6.0 million bales are expected.

The grain reserve program will remove excess wheat and feed grains from the market. Set-aside programs for wheat and feed grains will help balance production with consumption requirements. Unless weather patterns are abnormally favorable, wheat stocks and cotton will be reduced over the 1978/79 season. But, even with the feed grain set-aside, feed grain and soybean stocks will again rise unless weather is bad. The excess acreage appears to be about 9-10 million acres, after recognizing that lower quality acres would be taken out of production first.

This overview of the situation and near term prospects suggests that measures to improve the incomes of certain commodity producers, notably grain producers, have merit. Our taking the initiative to institute appropriate measures could have positive political benefits and be less disruptive economically than the solution the Congress is likely to advance.

The Case Against An Administration Initiative

The arguments against any Administration initiative are:

Improving Price Prospects

Prices for the major agricultural commodities have improved since the lows of last summer or fall.

Commodity Market Prices (Farm)

Unit	1977						1978	
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.(2/15)
Corn \$/bu.	1.88	1.63	1.60	1.67	1.88	1.96	2.00	2.00
Wheat \$/bu.	2.04	2.13	2.16	2.30	2.46	2.47	2.53	2.58
Cotton ¢/lb.	63.1	60.9	59.1	53.1	51.4	47.9	48.0	48.8
Soybean \$/bu.	6.60	5.42	5.17	5.28	5.61	5.69	5.75	5.42
Rice \$/cwt.	6.68	8.02	8.12	8.92	10.20	11.00	10.70	11.40
Cattle \$/cwt.	38.00	37.50	37.60	38.50	38.10	39.30	40.50	42.70
Cows \$/cwt.	24.50	24.40	24.60	23.40	23.20	24.00	26.50	30.10
Feeders \$/cwt.	36.60	37.10	38.30	37.60	37.00	37.80	40.80	44.50
Hogs \$/cwt.	44.90	42.80	40.20	39.90	37.50	41.50	43.90	47.90
Broilers ¢/lb.	26.2	23.9	24.0	23.1	23.0	20.2	22.8	24.3

Futures market prices for the major commodities indicate prices will remain near current levels or increase slightly, excepting hogs:

Commodity Futures Prices (March 7-9)

Unit	Market	1978						1979	
		March/ Apr.	May/ June	July/ Aug.	Sept./ Oct.	Nov./ Dec.	Jan./ Feb.	March/ Apr.	
Corn \$/bu.	Chi.	2.34	2.38	2.40	2.39	2.40	---	2.48	
Wheat \$/bu.	K.C.	2.77	2.71	2.72	2.76	2.81	---	2.85	
Cotton ¢/lb.	N.Y.	---	58.0	58.9	59.9	60.3	---	61.4	
Soybeans \$/bu.	Chi.	6.59	6.66	6.70	6.33	6.19	6.27	6.34	
Steers \$/cwt.	Chi.	48.87	48.92	48.40	48.33	48.62	48.64	48.51	
Feeders \$/cwt.	Chi.	55.70	54.68	54.84	54.58	54.09	55.90	---	
Hogs \$/cwt.	Chi.	46.57	48.49	48.54	41.92	42.27	41.17	39.58	
Broilers ¢/lb.	Chi.	41.95	43.01	43.50	---	---	---	---	

The 1978 prospects for cattle producers are much improved. The herd liquidation that started in 1974 is apparently nearing an end. As animals are retained in the herds for breeding stock, cattle (and retail beef) prices will increase throughout the year. Pork production was expected to reach a cyclical peak in 1978, causing prices to fall more than indicated above, but adverse winter weather has altered production prospects somewhat. There is some concern that an overexpansion may occur, resulting in even sharper price declines in 1979.

A combination of continued strong export sales, formation of the farmer-owned grain reserve, the set-aside program for wheat and feed grains, and other planned actions should be sufficient to hold prices at present levels or increase them modestly, even with good (although not unusually favorable) crop conditions through 1978. Use of these tools, while allowing the market to operate within wide bounds, was our initial policy embodied in the 1977 Act. That the 1977 Act will work if given a chance has been our oft-repeated response to the protesters and our rationale for not taking new initiatives.

Budget Outlays and Price Impacts

Any new initiatives that will improve farm returns significantly enough to avoid a confrontation with the Congress and placate the farm community will either require additional budget outlays or will have some (although small) impacts on the general price level.

Timely Implementation

Some of the initiatives require new programs which must be designed and implemented very quickly if they are to have any impact on 1978 crops. During the 1972-76 period, when commodity programs were largely inoperative, the previous administration reduced the number of employees in ASCS (the program administering agency), especially in the county offices across the country. The Agency is now strained to devise and operate the programs in the 1977 Farm Law. Adding new programs which must be quickly implemented to the workload is just not feasible in some cases.

What Can and Should We Do

There are several actions that might be taken which if appropriately packaged could help defuse the situation. Some of these actions are mandated by law and must be taken anyway, but others are new initiatives. These actions fall into two groups: (A) several new or revised programs with little budget and price impacts, and (B) several optional program initiatives for significantly improving farm returns.

(A) Actions that we plan to take which fall in the first group include:

- o to help ease credit conditions in the farm community, we plan to (1) support legislation for an economic emergency loan program (see Tab A), and (2) seek quick Congressional approval to permit negotiated interest rates on guaranteed farm loans and increases in the maximum amounts that can be loaned for farm ownership and farm operating purposes.
- o seek Congressional approval of our proposed all risk crop insurance program (the decision memo will be to you in a few days).
- o Publicize the fact that authorities in the 1977 Act permitting purchases of commodities for use in disaster areas, or for providing financial assistance for feed supplies, are available to help farmers who suffer a natural disaster.

- o Encourage the Congress to move quickly to authorize our recent proposal for an International Emergency Wheat Reserve.
- o Purchase wheat for the International Emergency Reserve as soon as the program is authorized and the farmer-owned reserve is filled.
- o Allow wheat producers to graze wheat already planted instead of harvesting it for grain (producers still get a payment but forego the target price payment).
- o Raise the loan level for 1978 crop soybeans to \$4.50 a bushel.
- o Announce the 1978 crop rice program target price and loan levels, and that there will be no set-aside for 1978 crop rice; if rice production is in excess of requirements, the excess will be added to the food grain reserve.
- o Announce an increase in the milk price support effective April 1 (mandated by the 1977 Act), and stress that aggressive sales efforts are being made to move non-fat dry milk into market channels.
- o Announce our intention to develop a sugar program for the 1979 and subsequent crops, as a backup measure to encourage ratification of the ISA.

There is general agreement among your advisors on the minor actions. I will move to implement them quickly and in a way that maximizes the exposure and the positive benefits for producers. However, even these actions in combination will be insufficient to forestall action by the Congress. If we are to do this, we must offer something that guarantees higher producer returns.

To insure higher returns to producers the avenues open to us involve either higher prices or increased transfer payments. There are three basic strategies we may follow:

- (B)o Take more land out of production in 1978 through a paid land diversion program.
- o To the extent necessary, place excess 1978 crop production into reserve next fall.
- o Support legislation to increase target prices for 1978 crops.

Land Diversion

There is strong support in Congress for a land diversion program. For wheat and feed grains, which have a set-aside program in effect, a land diversion program would be offered to set-aside participants only; since we do not have a set-aside program in 1978 for cotton and oats, the land diversion could be offered to all producers of these crops.

Legal authority exists for either a bid or offer system. Although the bid system is clearly the most cost effective, and would be preferable under normal circumstances, ASCS does not believe it could implement the program in time for this years crops. The signup period for the 1978 set-aside programs has already started and farmers are planting, or will start planting, spring crops. ASCS could, however, implement an offer system.

A land diversion program can be structured so that there is no net increase in budget outlays for fiscal years 1978 and 1979 combined. The resulting increase in price reduces deficiency payments, and the reduction in production means more commodity loans would be repaid and fewer new ones made. This option, therefore, is the increased price, low budget option.

Reserve Expansion

The alternative to a land diversion program in 1978 is a firm commitment to remove from the market all production in excess of the quantities that would be required to fill domestic and export requirements at specified price objectives. In addition, this announcement should be accompanied with a further commitment to have a paid land diversion program in 1979 if stocks from previous crops are excessive.

The proposal to place any excess grain in reserve and to commit to a paid diversion program for next year (if one is necessary), designed to realize the same net return to producers as either the land diversion or target price solutions, would mean larger budget outlays than for the diversion option, but lower outlays than for the target price option.

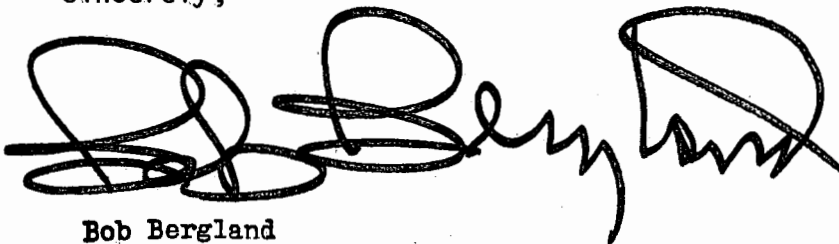
Increased Target Prices

The third alternative is to support legislation to increase target prices for the major crops. This solution involves added budget outlays but little price impact, and is favored by a significant proportion of the Congress. A consideration is that once the 1977 Farm Act is opened for amendment, the Congress might increase outlays more than would be acceptable to us.

An increase leads to a direct increase in deficiency payments, but because it would not affect planting decisions in 1978, significantly, there would be little offsetting savings from loan activities. However, raising target prices would raise the level of income protection in subsequent years and would encourage production of those crops. Also, the ability to capture acreage under set-aside programs would be enhanced. This is the increased budget, low price option.

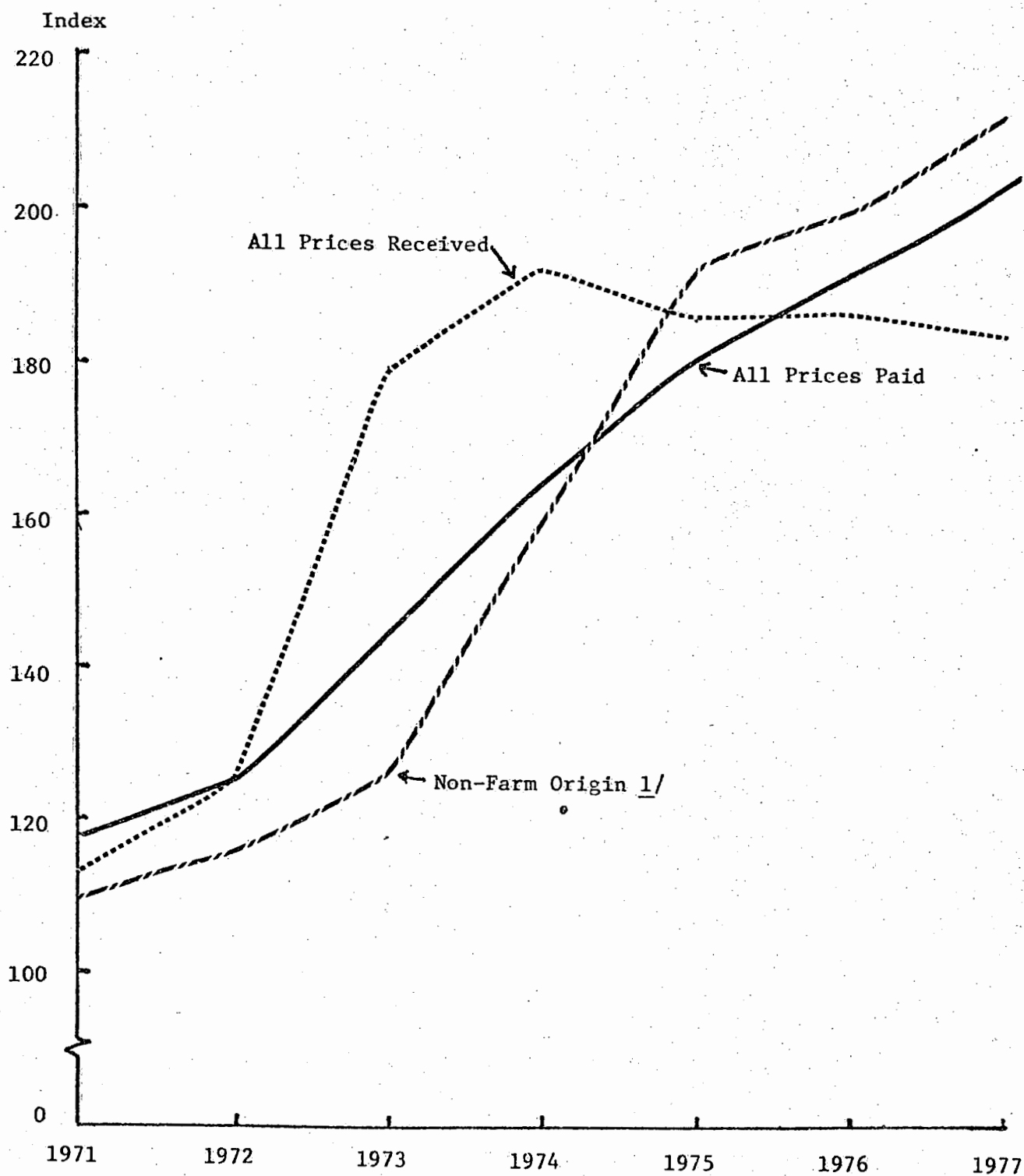
My Director of Economics is meeting with the Senate Agriculture Committee Monday morning at 10:00 to review the various bills and to discuss their economic implications. Following that meeting we will have a better idea of the possibilities for our reaching agreement with the committees. I have promised both Senator Talmadge and Congressman Foley that I would outline the Administration's position very soon. The situation is sufficiently complicated and fluid that I believe it would be best if we met to discuss it at greater length before I do that. I therefore recommend that we sit down with the Vice President, Stu Eizenstat, Charles Schultze and Jim McIntyre at your earliest convenience to discuss our strategy. At that time I will have detailed estimates of the impact of each option on farm income, Treasury outlays and consumer prices.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'Bob Bergland'.

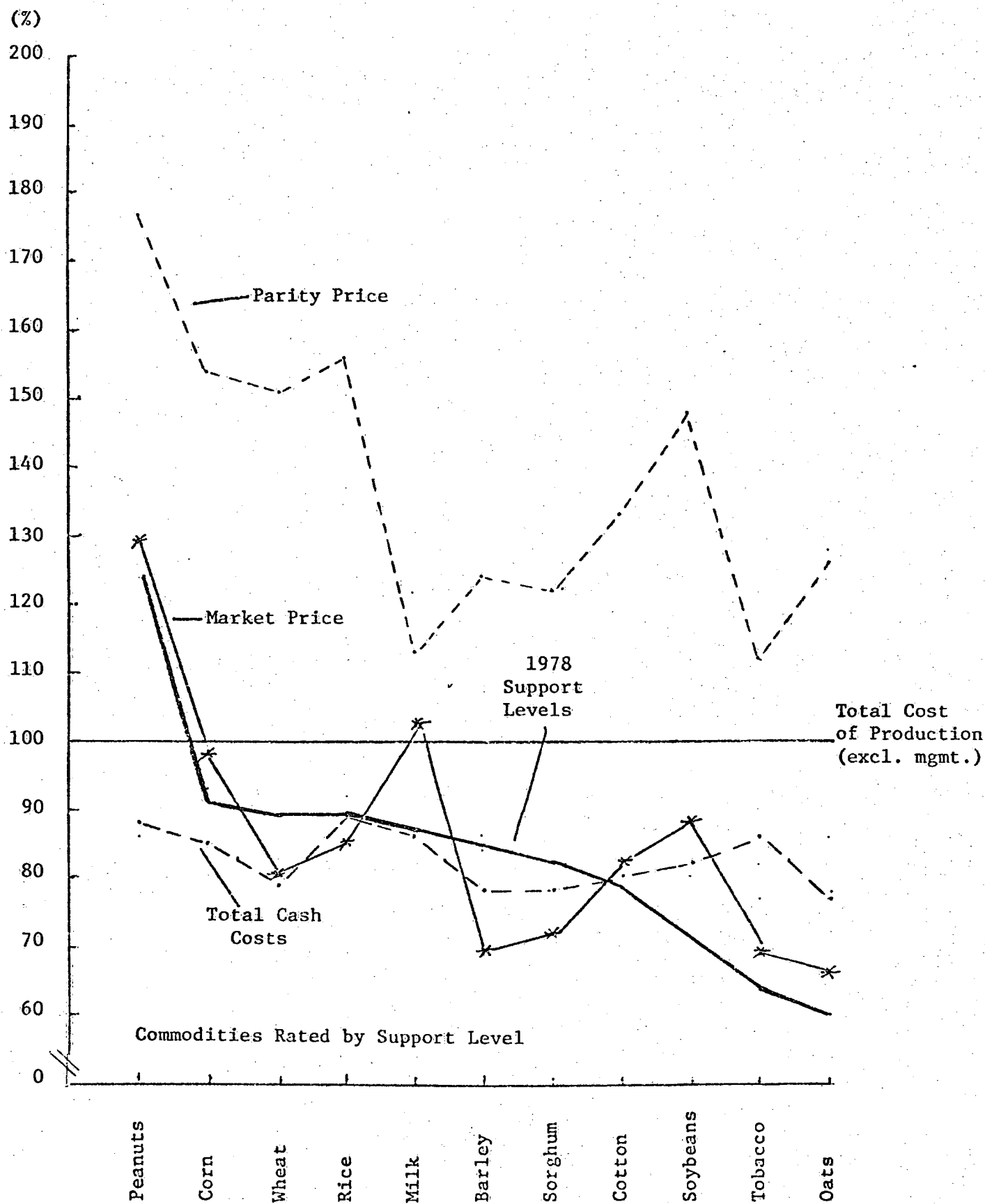
Bob Bergland
Secretary

Figure 1
Annual Indexes of Prices Paid and Received by Farmers, 1971-77
1967=100



1/ Index of prices paid for items of non-farm origin less interest, taxes, and wage rates.

Figure 2
Parity Prices, Market Prices, Support Levels, and Cash
Costs as a Percent of Total Costs



TAB A
AGRICULTURAL CREDIT

FARM OPERATING AND REAL ESTATE CREDIT

Farmers Home Administration (FmHA) loans for real estate and production purposes are processed by Federal employees and advanced from a Federal revolving fund at below market and subsidized rates of interest. Because of limitations on Federal employment and budget outlays, it has been difficult to increase FmHA lending in response to changes in economic conditions in rural areas. Consequently, the Administration has proposed legislation that would authorize USDA to guarantee loans made by private credit sources to farmers who would otherwise not be able to obtain credit. These loans would bear interest at a rate negotiated between borrower and lender. Such a program, if authorized by Congress, would permit FmHA to increase its role as a supplemental lender, as circumstances require, without a major impact on Federal employment or budget outlays. The House is expected to pass a bill providing authority for guaranteed loans at negotiated interest rates, but unfortunately, the House bill may also make objectionable changes in the existing loan program. An effort will be made in the Senate to obtain a bill without these changes.

ECONOMIC EMERGENCY LOAN PROGRAM

The aggregate financial condition of the farm sector is less favorable now than a year ago. While market prices of farm products have risen about 10 percent since last September, reflecting a continued heavy demand for exports, prices of many farm commodities adjusted to include government payments are below average cost of production.

This serious cash flow problem, particularly acute among grain producers, has been eased somewhat, partially through record CCC loan activity and distribution of wheat target price payments. Nonetheless, one in five farmers still has a serious cash flow problem which is compounded by the fact that the ratio of farm debt to farm income has risen to 5 to 1, up from 2 to 1 in 1973. Worst off are new entrants to farming and those who have recently purchased land and made major capital improvements.

At this time it appears that many credit sources will be able to expand their farm operating loan volume. However, for a significant number of farmers experiencing cash flow problems, banks will look closely at loan requests and only lend an amount equal to the bank's estimate of revenue the farmer's commodity will yield. There is strong likelihood that farmers experiencing cash flow problems will be unable to secure all the credit they need to adequately manage their farm operation in the coming year. Unavailability of long-term capital also continues to be a problem in many farm areas.

The House is expected to enact soon legislation establishing an economic emergency loan program which will have the following characteristics:

- Limited to farmers who cannot obtain credit elsewhere.
- Use of loans limited to restructuring existing debt, to meeting current installments on loans, and to permitting continued farm operation during this interim period. Loans would not be available for expansion or major shifts in operation.

- Loans would be at an interest rate covering the Government's cost of borrowing.
- Total FmHA credit would be up to a maximum of \$300-\$400 thousand per operator for insured or guaranteed loans.
- Total program would be limited to \$1.5 billion total outstanding in FY 1978; \$3.0 billion total outstanding in FY 1979.
- Borrowers would be required to refinance their loans with private sources when they are able.
- Authority for new loans under this program would expire at the end of calendar year 1979.

To an extent which cannot be estimated now, economic emergency loans may offset the demand for regular FmHA farm operating and real estate loans. Administrative costs for the program are estimated at \$2 million in FY 1978 and \$ 4.6 million in FY 1979. Losses under this program are expected to amount to 1-2 percent of total loans, or less than \$ 50 million.

EIZENSTAT

THE WHITE HOUSE

WASHINGTON

March 14, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT
LYNN DAFT

Stu

SUBJECT:

Secretary Bergland's March 13
Agricultural Policy Memorandum

We have been working closely with Secretary Bergland and his staff in recent days to map out a strategy for dealing with the considerable pressures from the Congress and the farm community to amend our current farm policy. The overall situation and our major options are described in the Secretary's memorandum.

We concur with the Secretary's recommendation that you meet with a small group of your advisors to discuss the issue. Since Senator Talmadge is working for the quick passage of legislation and since planting season is upon us in some regions, this meeting should be scheduled as soon as possible.

This is going to be a close call. Though it is difficult to read the mood of the House of Representatives on this topic, we expect the Congress to pass legislation if the Administration does not seize the initiative soon by taking one of the actions described on pages 9 and 10 of the Bergland memo. Even then, there is a chance that any legislation the Congress passes on its own would be unacceptable and would have to be vetoed.

We believe it is important to avoid that situation, if at all possible. Politically, the best way to do so may be a modest land diversion program. Such a program could be implemented at a cost of \$700 - \$800 million for wheat and feed grain producers. The price effects might be modest. By linking this program to the set-aside program, participation in the set-aside would be improved. The most serious drawback to this approach is the difficulty of gearing-up quickly for effective administration of the program and the fact it may look like an inflationary action at the same time we are seeking to develop an anti-inflation image.

From an administrative viewpoint, the expanded reserve option is preferable in that it preserves maximum administrative flexibility. Given the uncertainty of the current situation and the possibility that market prices will continue to strengthen, such flexibility is important. Moreover, it might be less inflationary. However, this may not be enough to head-off action on the Hill.

OMB



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAR 14 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Jim McIntyre *EM (for JTM)*
SUBJECT: Agricultural Policy

Here are my comments on Secretary Bergland's latest memo to you on farm policy.

I agree with the Secretary on the need for an early meeting with you and others of your top staff to discuss the changes the Administration should make in its declared farm program policies. However, I would be more confident going into such a meeting if I had from Agriculture their estimates of the impact of the major options on (1) consumer prices, (2) farm income, and (3) budget in time for Charlie Schultze and me to review them before hand. Agriculture has one of the best estimating capabilities in the Government, and they should be able to generate estimates in time for us to test their critical assumptions and judgments.

I also believe that whatever package of changes we decide to make should be tied to a veto strategy. We should inform the agricultural leadership on the Hill that we will go this far and no farther and that if they legislate a program in excess of what we offer, it will be vetoed. And we should stick to that decision.

The portents we have seen indicate that things are looking up in agriculture. Thus we should not be pushed into possibly unnecessary and counterproductive action, especially without a very clear idea of where the major options will take us with respect to prices, farm income, and Federal outlays.

As to the "minor" program changes and announcements USDA proposes, we have the following remarks:

- We see no political advantage in announcing in this context a proposal for crop insurance that will require farmers to pay for that which they now receive free as disaster assistance - although we definitely support the concept.
- Unless there are compelling reasons for doing so, we would avoid saying anything about sugar at this time. Although the International Sugar Agreement is being held hostage for a long term domestic sugar program, there are problems with almost every identified sugar program option and none of the details has been worked out in the Executive Office.

As to the major new proposals, I reiterate that, at the moment, we don't know where any of them will lead us, but we do know that:

- Voluntary land diversion programs based on offers are less effective than those based on bids (you pay for more than you get) and that they are impossible to control once the offer has been made. Thus, the offers must be calculated so as not to result in undesirably short crops.
- Specifying new price objectives is an invitation to Congress to mandate higher loan rates.
- By recommending changes requiring legislation (as is the case with higher target prices) we would be deliberately doing that which we are seeking to avoid.

Pending detailed analysis that may lead to different conclusions, I would prefer a 1978 land diversion program to expansion of reserves because:

- Even if we go for the additional reserves in 1978, we likely will have to initiate a land diversion program for the 1979 crops to prevent accumulation of completely unmanageable oversupplies.
- A 1978 land diversion will result in outlays in FY 1978 rather than in 1979 - which is preferable from a budget standpoint.

CEA

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

March 13, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze **CLS**

SUBJECT: Secretary Bergland's memo on Agricultural Policy

1. The Secretary suggests an early meeting with you, the Vice President, Eizenstat, Schultze, and McIntyre to discuss strategy on the farm situation. I agree.
2. The Secretary has suggested a package of possible actions that the Administration might take to "help defuse the situation."

A number of these actions are relatively noncontroversial, and many of them would have to be taken anyway. I have no problem with most of them.

The Secretary discusses three alternative major actions to strengthen farm prices or incomes: (i) land diversion; (ii) reserve expansion; and (iii) increased target prices. The first two could be done administratively, the third would take legislation.

3. With respect to strategy: I do not believe any of the major alternatives suggested by the Secretary is likely to forestall strong legislative measures. However, announcing such an action might make sense as part of a veto strategy. We could announce a responsible program, but indicate the Administration's strong opposition to legislative measures which go beyond that, implying the very strong likelihood of veto. What you announce and when you announce it depends upon whether you are willing to veto a bill which goes beyond it. Announcing a major action now, and later signing a more generous new farm bill could get us the worst of both worlds. If, for example, we should announce higher price objectives, to be achieved through increased reserve acquisition, and the Congress passes an increase in target prices, we could get whipsawed: the higher target prices encourage more production and we are committed to buy it up to meet our market price objectives.

4. With respect to substance, I believe the reserve acquisition approach is the most appropriate route if action has to be taken. Under this approach a firm commitment would be made to remove from the market, and put into reserve, production in excess of requirements at a specified set of price objectives.

Season average prices in the market for wheat and corn are somewhat above the loan levels (\$2.15 for corn vs. a loan of \$2.00; \$2.50 for wheat vs. a loan rate of \$2.25). If the new price objectives are set at expected season average prices, they would provide additional insurance for farmers without a major inflationary consequence. Price objectives significantly higher than this would be damaging to inflation.

Either of the other two alternatives -- land diversion and higher target prices -- has substantial disadvantages, spelled out in the Secretary's memo.

5. If you announce any major program, there will be costs:

- . the EPG will shortly be approaching you with suggestions for a series of anti-inflationary steps;
- . it will look very inconsistent for you to be announcing a series of steps which appear to raise farm prices at about the same time.

If something must be done, however, the reserve acquisition program will do least psychological and economic damage. It can be billed, among other things, as increasing our protection against future inflationary shocks -- adding to reserves now, when prices are low, to guard against large price increases in years of crop shortage.

6. In summary, I recommend (tentatively, and subject to later discussion):

- . we meet to discuss our response to Congressional moves;
- . we take no major actions except in the context of announcing strong opposition to any legislative measures that go beyond that action, and the likelihood of a veto should such legislation pass.

- . in the context of such a strategy, we be prepared to put forth a responsible initiative centering around an expanded reserve acquisition program with price objectives roughly equal to expected season average prices.

CONGRESSIONAL
LIAISON

Congressional Liaison

Due to intense pressure from radical striking farmers, the Senate Agriculture Committee will hold a mark-up on Wednesday to consider bills (flexible parity, increased target prices, etc.) more costly than the Talmadge 31 million acre land diversion measure which was reported out today.

Thus far, the only Administration official to oppose forcefully the irresponsible proposals has been the President. If he must stand alone publicly, then he should on Tuesday (anticipating the Wednesday mark-up): (1) announce the administrative or legislative relief we support or have developed and (2) denounce the flexible parity and increased target price proposals as too costly to consumers, disastrous for other segments of American agriculture (livestock) and fiscally irresponsible.

We must attempt to offset the ever-growing pressure on Congress to act by exposing the insanity of the strikers' demands and by espousing significant relief for legitimate farmer needs.

(FYI, Rhodes and the Republicans have announced their own policy which is more generous.)



Total Real Income Per Farm Operator Family,
1970-1976, By SALES CLASS

\$100,000

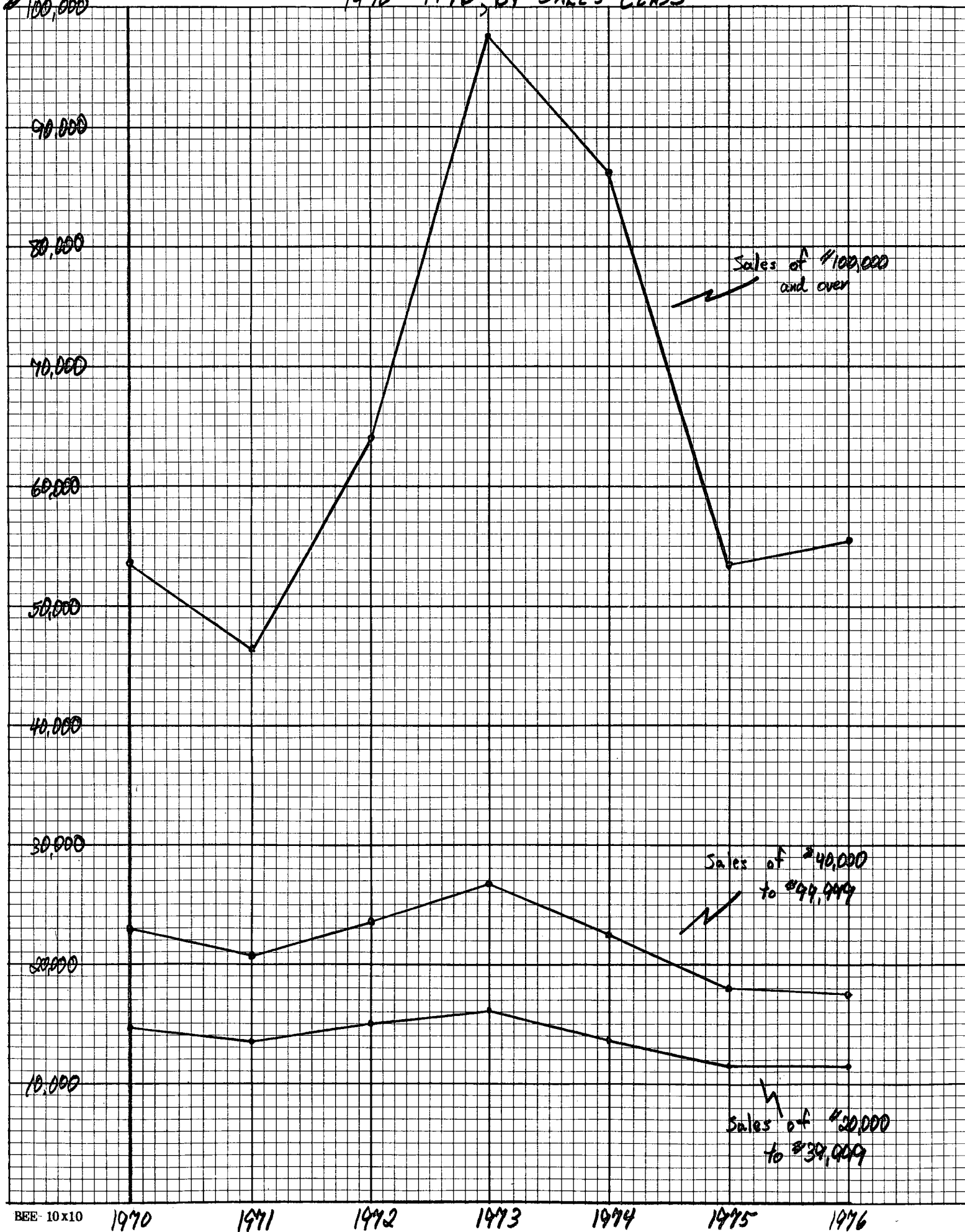
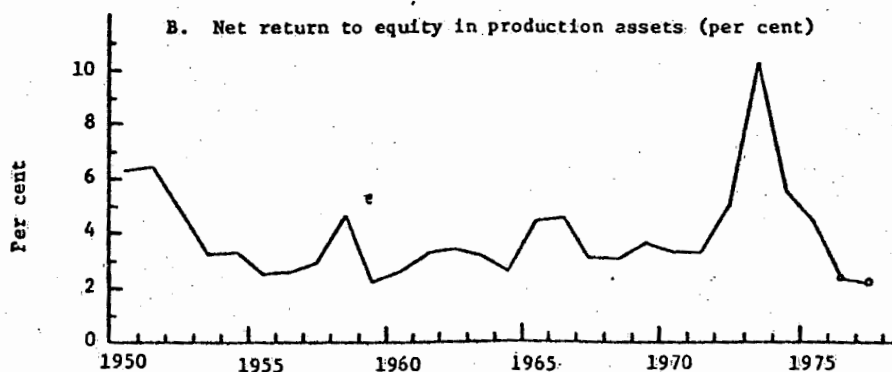
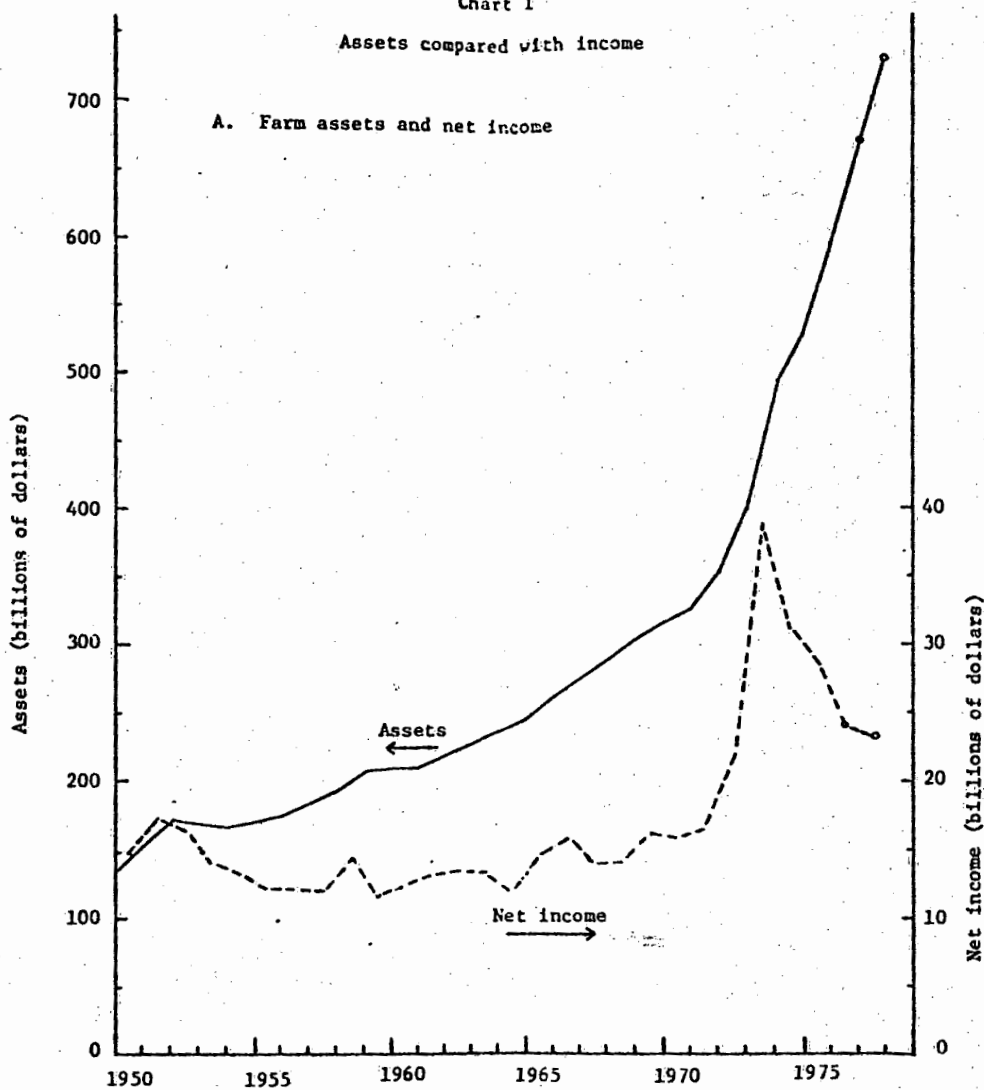




Chart 1

Assets compared with income



Note: Net income shown is farm operators' total net income from farming (USDA series, including government payments) plus net rent received by nonoperator landlords.

Net return to equity is net income from farm production minus returns imputed to labor and management (USDA series, The Balance Sheet of the Farming Sector).

Chart 3
Assets compared with debt

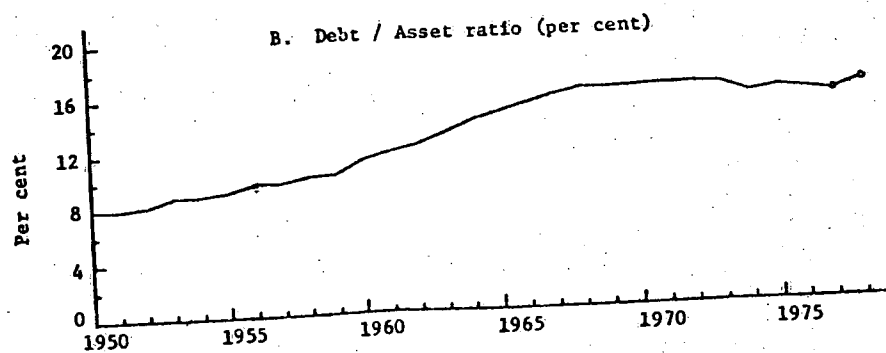
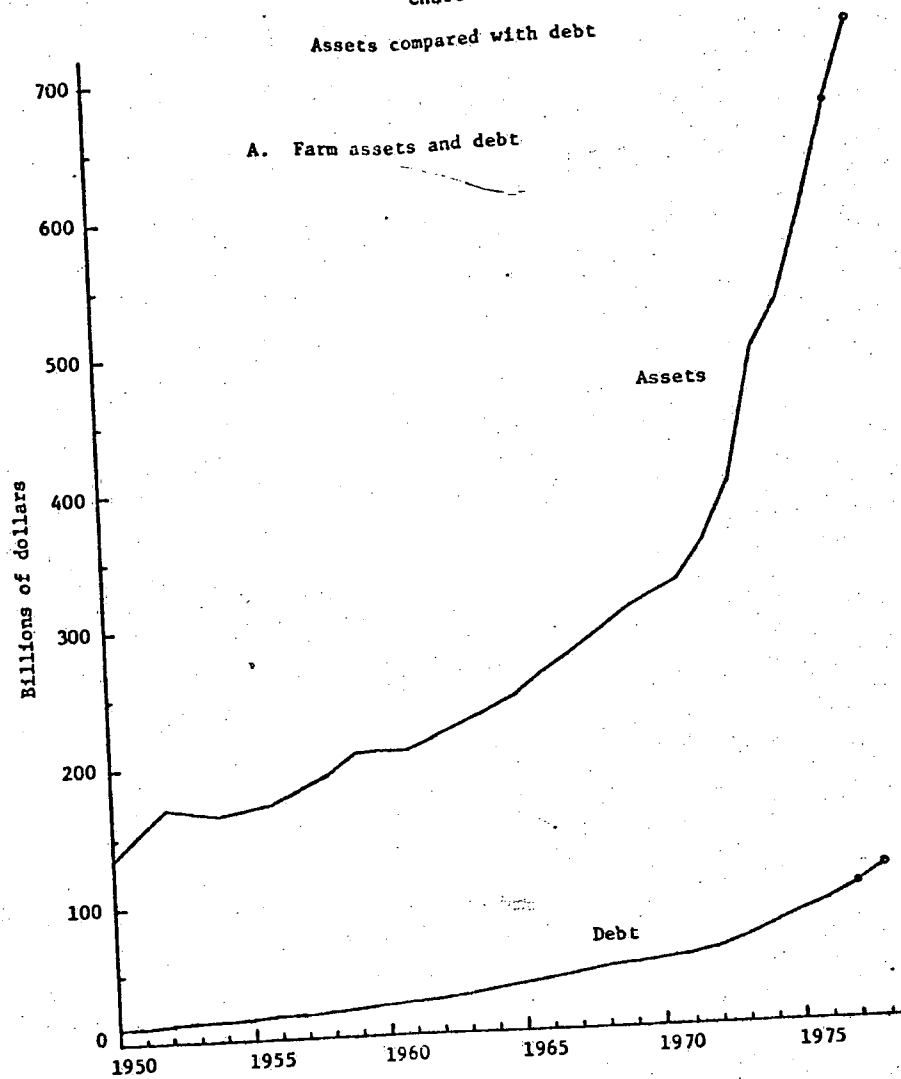
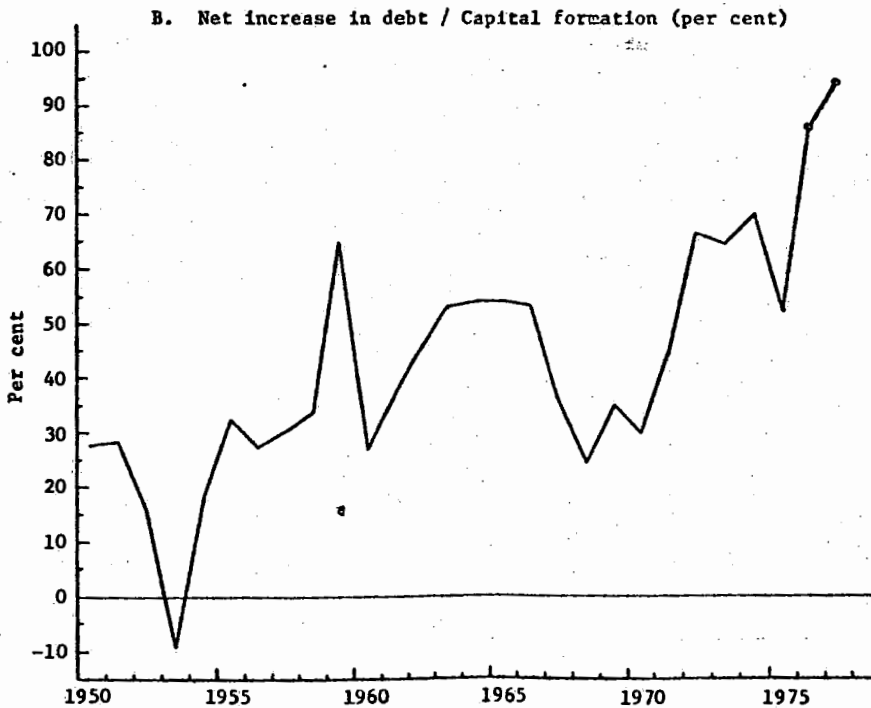
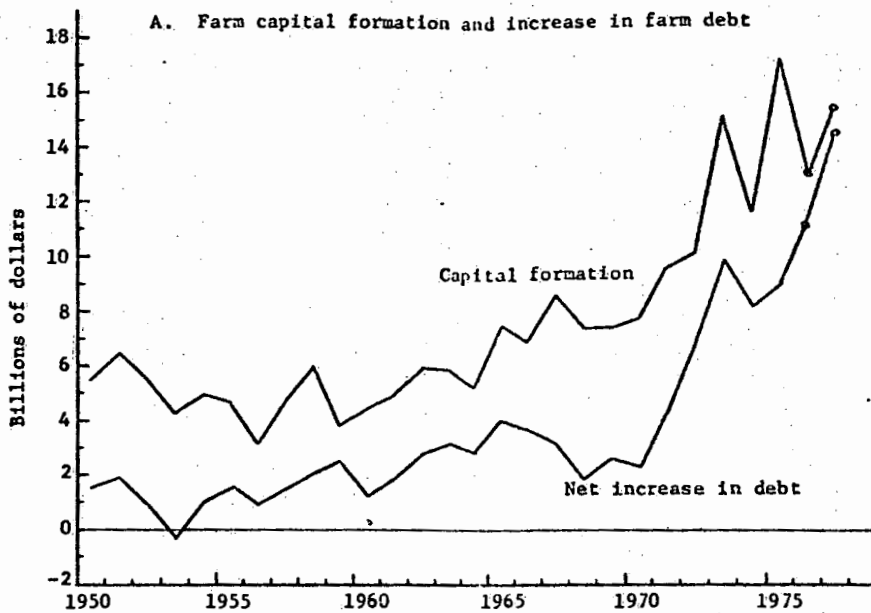


Chart 4

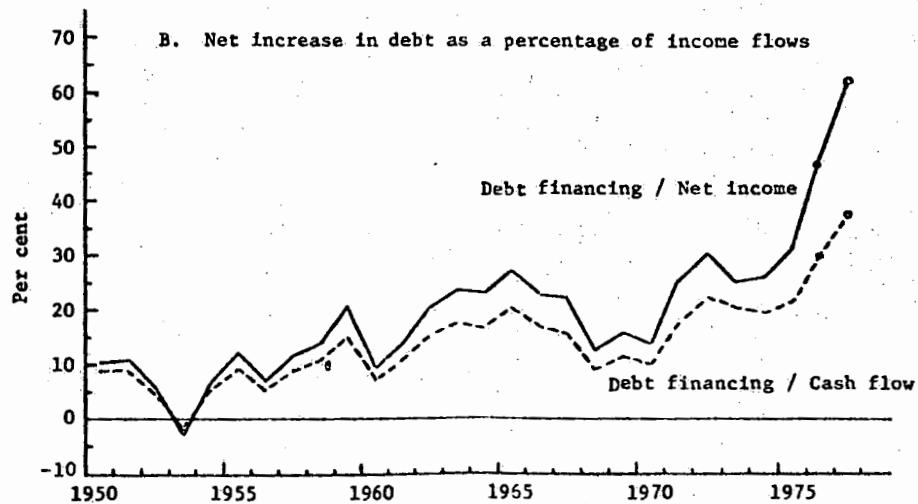
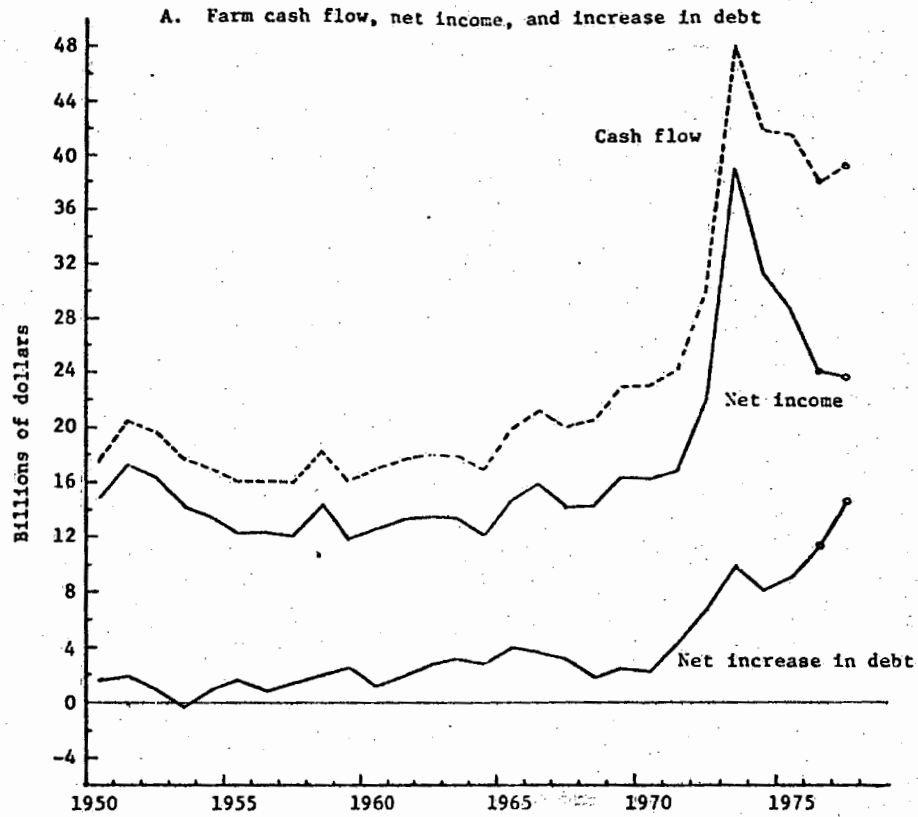
Debt financing compared with capital formation



Note: Capital formation consists of expenditures for machinery, buildings, and land improvements plus the net change in financial assets and in livestock and crop inventories.

Chart 5

Debt financing compared with income flows



Note: Cash flow is net farm income plus capital consumption allowances at replacement cost.

Table 3

Federal Reserve Bank surveys of agricultural credit conditions

Date of survey	Federal Reserve District				
	5 Richmond	7 Chicago	9 Minneapolis	10 Kansas City	11 Dallas
<u>Average loan/deposit ratio (per cent)</u>					
1976--January	60	57	63	56	54
April	61	56	63	57	55
July	64	58	65	59	58
October	62	59	66	62	60
1977--January	62	59	64	61	57
April	64	59	63	62	58
July	66	61	66	65	62
October	65	64	68	65	63
1978--January	66	62	67	62	60
<u>Percentage of banks with a loan/deposit ratio that is higher than desired</u>					
1976--January	9	23	16	37	17
April	6	20	16	34	15
July	15	24	26	39	19
October	9	25	26	51	26
1977--January	0	26	18	48	16*
April	17	28	20	52	17
July	23	38	29	59	26
October	15	46	35	52	28
1978--January	21	41	34	44	23

Table 4

Federal Reserve Bank surveys of agricultural credit conditions

Date of survey	Federal Reserve District				
	5 Richmond	7 Chicago	9 Minneapolis	10 Kansas City	11 Dallas
Percentage of banks reporting a slower rate of farm loan repayments*					
1976--January	21	21	31	34	28
April	20	18	42	31	21
July	0	15	35	26	15
October	11	19	60	56	28
1977--January	23	28	75	68	28
April	6	30	75	64	26
July	11	40	62	67	31
October	23	52	74	63	38
1978--January	57	50	61	52	49
Percentage of banks referring more farm borrowers to nonbank credit agencies*					
1976--January	9	--	16	26	18
April	13	--	13	20	13
July	3	--	12	19	7
October	3	--	14	25	9
1977--January	3	--	27	34	15
April	9	--	33	37	22
July	10	--	28	37	21
October	16	--	25	45	29
1978--January	29	--	31	49	31

* Respondents in Districts 5, 9, and 11 are asked to compare "current" experience with "usual" experience. In Districts 7 and 10, respondents are asked to compare experience during the past quarter with that of a year earlier.

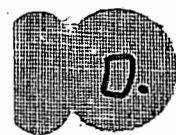


Table I . Regional Comparison of Costs of Production^{1/}
for Selected Commodities, 1978

<u>Commodity</u>	<u>Region</u>	<u>Cost</u>
Wheat	Northwest	\$2.86
	Corn Belt	\$2.88
	Southeast	\$3.43
	Southern Plains	\$3.49
	Northeast	\$3.56
Corn	Corn Belt	\$2.09
	Southeast	\$2.75
	Southwest	\$3.16
Soybeans	Northern Plains	\$4.87
	Southeast	\$5.96
Cotton	Southeast	\$.52
	Delta	\$.69
	Southeast	\$.77
Barley	Northwest	\$2.08
	Southwest	\$3.26

^{1/} Total costs including variable, machinery ownership and farm overhaul costs, return to management, and a land charge based on average acquisition value.

COST OF PRODUCTION WITH LABOR CHARGED AT AVERAGE MANUFACTURING RATES,
FARM PRICES, AND PARITY, 1978, FOR SELECTED COMMODITIES

Commodity	Unit	1978 Support Level 1/	Variable Cost 2/	Land Cost 3/	Total "Cash" Costs 4/	Machinery & Equipment Ownership 5/	Tot. Cost (excl. mgmt.) 6/	Farm Price 2/15/77	Parity Price 2/77
Cotton	lb.	0.52 (T)	.42	0.10	0.52	0.13	0.65	.488	0.866
Corn	bu.	2.10 (T)	1.33	0.62	1.95	0.35	2.30	2.00	3.54
Sorghum	bu.	2.28 (T)	1.63	0.46	2.09	0.60	2.69	1.74	3.29
Barley	bu.	2.25 (T)	1.43	0.54	1.97	0.55	2.52	1.81	3.12
Oats	bu.	1.03 (L)	.86	0.48	1.34	0.39	1.73	1.15	1.83
Wheat	bu.	3.00 (T)	1.90	0.74	2.64	0.72	3.36	2.58	5.07
Soybeans	bu.	4.00 (L)	2.61	2.06	4.67	1.00	5.67	5.42	8.38
Rice	cwt.	8.43 (T)	6.96	1.50	8.46	0.99	9.45	11.40	14.70
Peanuts	lb.	0.21 (L)	0.10	0.05	0.15	0.02	0.17	0.215	0.301
Tobacco (burley)	lb.	1.21 (L)	1.24	0.39	1.63	0.26	1.89	1.23	1.73
Milk	cwt.	9.00 (P)	8.71	0.13	8.84	1.49	10.33	10.20	11.64

1/ The level shown is the higher of the target price (T), loan rate (L), or purchase price (P).

2/ Includes variable and general farm overhead costs including hired labor and operator labor charged at the manufacturing wage rate, except for tobacco and milk where hired labor is a separate item.

3/ Weighted average of share and cash cents (includes value of peanut, tobacco and rice allotments).

4/ Sum of variable and level costs.

5/ Replacement, interest, taxes, and insurance.

6/ Sum of all costs except management.

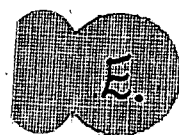


TABLE I. Economic Effects of Alternative Farm Policy Options, 1978 Crop

<u>Item</u>	<u>1977 Act</u>	<u>Land Diversion</u>	<u>Reserve Adjustment</u>	<u>Higher Target Prices</u>	<u>Talmadge Bill</u>	<u>Dole Bill</u>	<u>Foley Bill</u>
Deficiency Payments	1,292	1,185	1,146	2,119	785	2,679	2,558
Set-aside Payments	--	184	--	--	2,108	--	--
Loan & Inventory	1,473	1,178	1,563	1,484	+86	994	1,621
Other	2,564	2,580	2,607	2,590	2,477	2,660	2,603
Total CCC Outlays (million dollars; Ave. FY'78-'79)	5,329	5,127	5,316	6,193	5,284	6,333	6,782
Producer returns less cost ^{a/} (mill. dollars)	-411	1,324	1,307	1,217	7,532	5,725	2,098
Percentage change in consumer price index for all food	6-7	6-7	6-7	6-7	7-8	7-8	6-7
Set-aside acreage (million acres)	15.1	22.0	15.1	15.8	61.8	34.0	16.4
Ending year grain reserve (mill metric tons)	32.0	32.0	43.0	32.0	12.3	23.5 ^{b/}	32.0
Season ave. price received by farmers:							
Corn (\$/bu.)	2.10	2.25	2.35	2.10	2.50	2.30	2.10
Wheat (\$/bu.)	2.70	2.70	2.70	2.70	3.50	2.90	2.70
Cotton (¢/lb.)	53.0	56.0	56.0	52.5	60.0	54.0	51.0

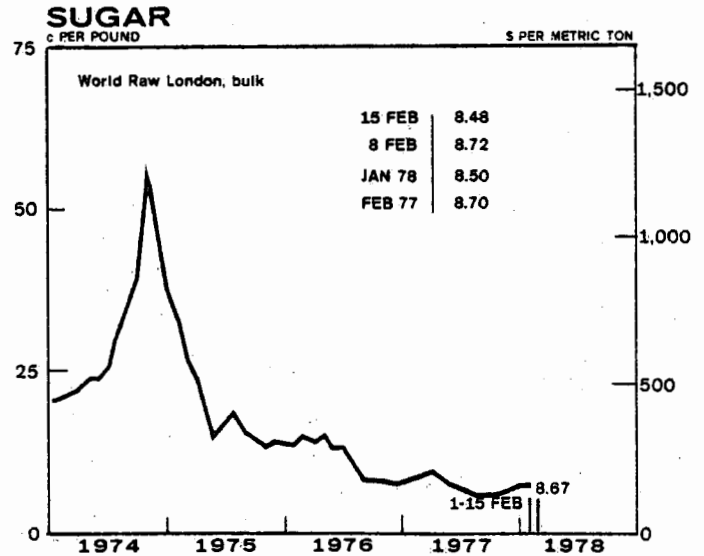
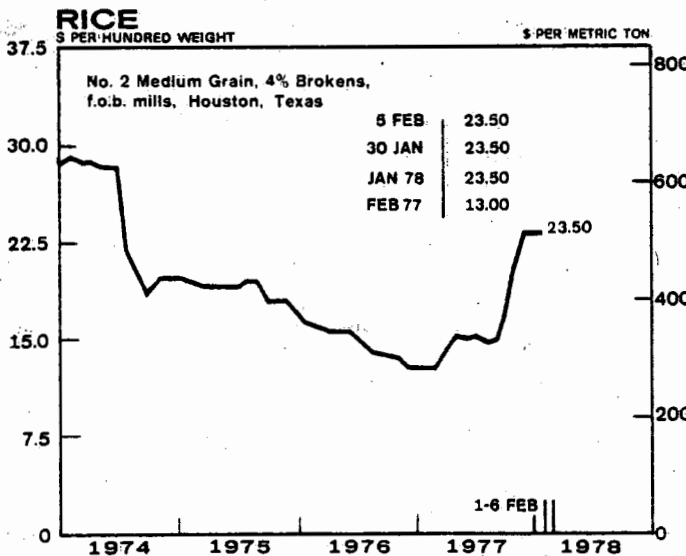
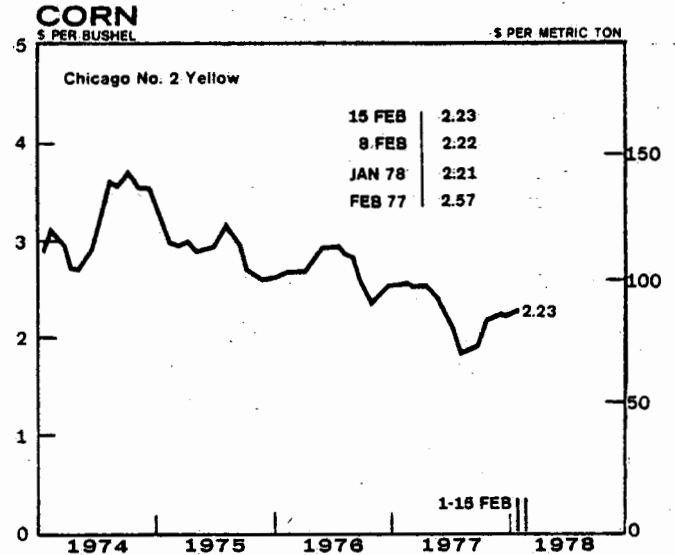
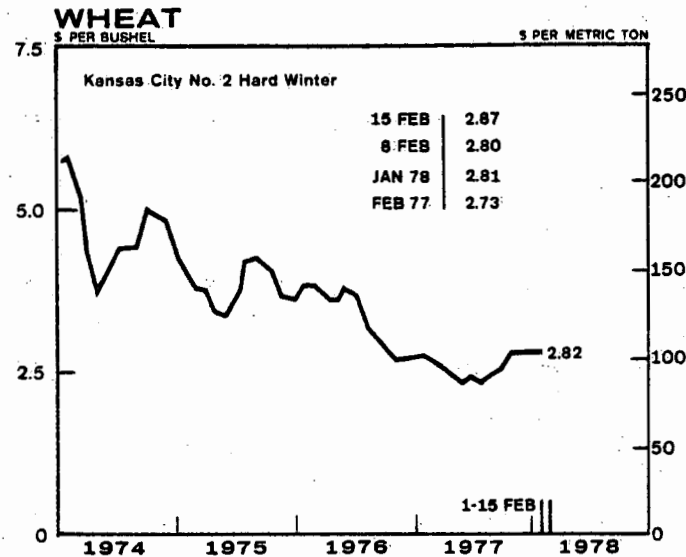
^{a/} Calculated by adding value of production and direct payments and subtracting variable costs (with labor valued at the manufacturing wage rate) and land rental cost.

^{b/} Primarily under CCC ownership.

Source: USDA, March 17, 1978 analysis



AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE

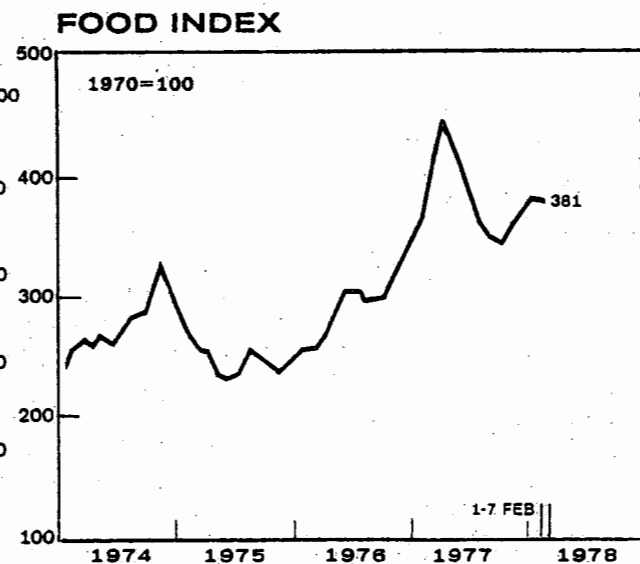
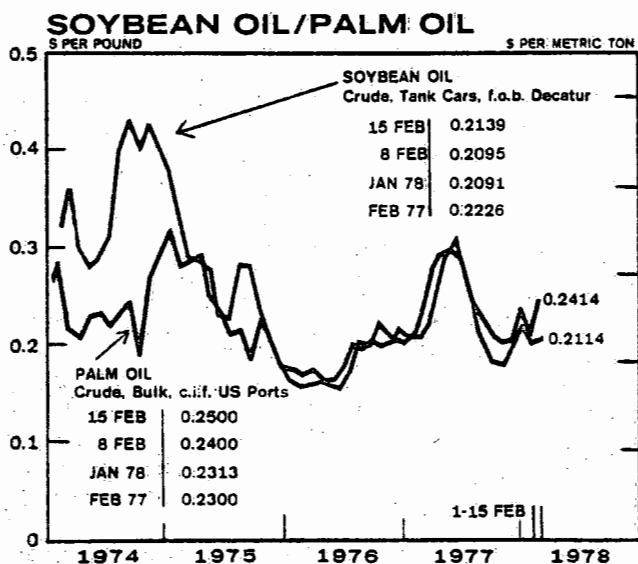
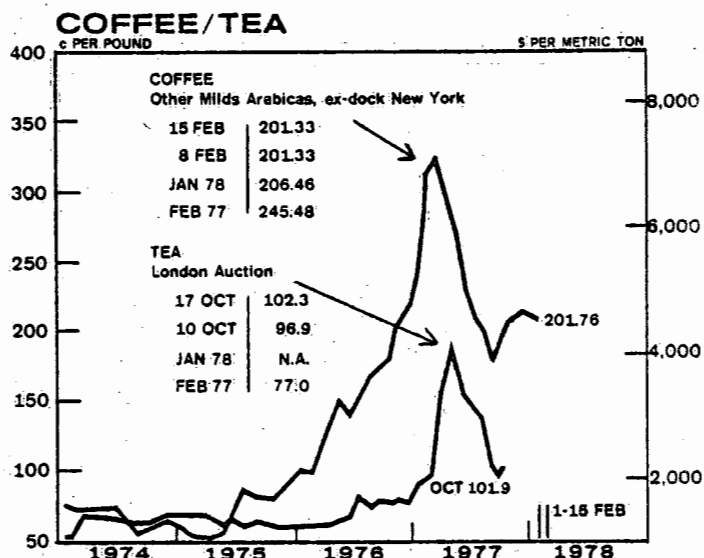
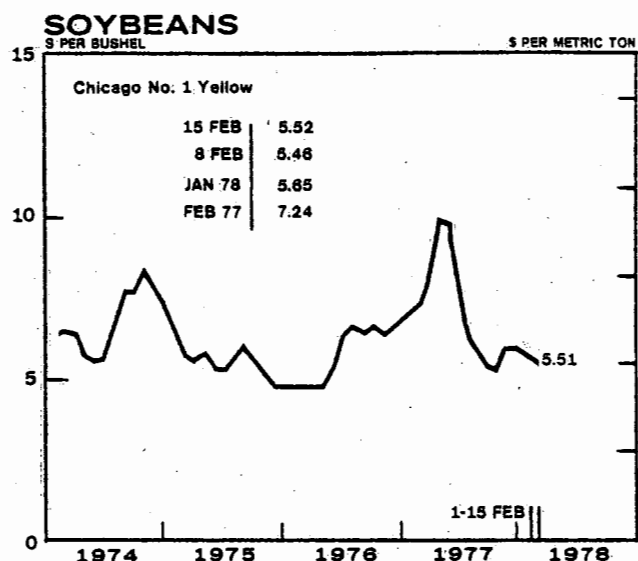


closely in line with the prices received by farmers; but internal inflation has raised the general price level.

Despite some decreases in retail prices for coffee, tea, and cocoa as recent wholesale price declines work through to retail stores, food prices will have less of a counter-inflationary impact in 1978 than in 1977. Food price changes in the EC could be relatively small as pressures build on the EC Council of Ministers for minimal changes in EC farm prices. In Eastern Europe, possible increases in food prices will require high-level political decisions, even though economic pressures from rising wage rates and limited food supplies are leading to market shortages.

Among commodities, cereal prices will be sluggish, barring a major production adversity. If the USDA succeeds in placing some of the present ample stocks in a three-year, farmer-owned reserve, export prices could increase moderately from present levels. A new Wheat Trade Convention to replace the expiring International Wheat Agreement, if implemented in 1978, could also affect reserve stocks and wheat prices. With an easing of world beef surpluses and a small decrease in herd numbers, beef prices could continue to rise. However, expanding pork and poultry production--stimulated by larger feedgrain supplies at lower prices in 1977--will moderate any increase. Ample supplies of most dairy products will continue to keep prices close to established support levels in major producing countries. Both market and government support prices of butter and non-fat dry milk will lag relative to fresh milk, cream, and cheese because the former are more commonly in surplus. Expected larger US production of soybeans and Malaysian production of palm oil will tend to depress prices of most fats and oils, unless unusual weather interferes.

Prices of tropical products are likely to move somewhat erratically as buyers and sellers adjust to new marketing institutions and larger production. Sugar prices should increase slightly as accumulated inventories in importing countries decline and quotas take effect among members of the International Sugar Agreement (ISA). Stocks in exporting countries are expected to increase. Some of the small trade outside the ISA could occur at distress prices. Cocoa prices are receding owing to an estimated 9-percent increase in production and reduced consumption. Coffee prices are trending downward because Brazilian



575255 2-78

NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

production recovered sharply and Colombia produced a large crop. Traders are seeking new equilibrium levels which will take account of the drop in US consumption, much larger production in Latin America, and a small reduction in Africa, plus the possible effects of the International Coffee Agreement as prices drop far enough to warrant the use of quotas and stockpiling arrangements.

Weather

Dry weather in the Southern Hemisphere, now moderating, has curtailed grain output in exporting countries and accelerated the decline in livestock numbers in Australia. Ample moisture in the Northern Hemisphere facilitated fall seeding and favorable growth for winter grains. Recent snows have eased fears of serious damage to winter grains in the Soviet Ukraine and Eastern Europe; the usual rate of reseeding with spring-sown grains is expected. No serious problems are evident for Western Europe and Canada, while conditions in the PRC appear to be better than a year ago. Ample moisture in the US Midwest, combined with heavy snowfall, could lead to heavy flooding and costly delays in planting spring-sown crops--and to a reduction in acreage if the spring is wet. The pattern of summer rains and temperatures, of course, will have a major impact on the size of Northern Hemisphere crops.

Changes in Governmental Policies

Among the numerous changes in national and international policies that may take effect in 1978, three could have important impacts on food markets and the food trade, namely:

- possible adoption of a new International Wheat Agreement (IWA), perhaps including arrangements for rice and feedgrains;
- nature and extent of agricultural concessions in the Multilateral Trade Negotiations (MTN); and
- impact of the US Set-Aside program.

Items of lesser significance (but important to some countries) include the possible implementation of certain provisions of the sugar and coffee agreements, efforts to revise the cocoa agreement, further discussion of other

WASHINGTON

DATE: 13 MAR 78

FOR ACTION: STU EIZENSTAT

FRANK MOORE (LES FRANCIS) *attached*HAMILTON JORDAN *NC*

JODY POWELL

JACK WATSON *NC*

JIM MCINTYRE

CHARLES SCHULTZE *attached*

INFO ONLY: THE VICE PRESIDENT

SUBJECT: BERGLAND MEMO RE AGRICULTURE POLICY

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 0400 PM MONDAY 13 MAR 78 +

ACTION REQUESTED: IMMEDIATE TURNAROUND

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE

WASHINGTON

March 13, 1978

MEMORANDUM FOR: RICK HUTCHESON
FROM: LYNN DAFT *L*
SUBJECT: Agriculture Policy

Rick: I just brought this over from the Department of Agriculture. OMB, CEA, DPS, and the Vice President's Office have copies. I would suggest that you ask for comments by late this afternoon so that we can get this into the President quickly.

Attachment

AGRICULTURE MEMO

Due to intense pressure from radical striking farmers, the Senate Agriculture Committee will hold a mark-up on Wednesday to consider bills (flexible parity, increased target prices, etc.) more costly than the Talmadge 31 million-acre land diversion measure which was reported out today. Thus far, the only Administration official to oppose forcefully the irresponsible proposals has been the President. If he must stand alone publicly, then he should on Tuesday (anticipating the Wednesday mark-up): (1) announce the administrative ^{or legislative relief} action *support of* we have developed and (2) denounce the flexible parity and increased target price proposals as too costly to consumers, disastrous for other segments of American agriculture (livestock), and fiscally irresponsible. We must attempt to offset the ever-growing pressure on Congress to act by exposing the insanity of the strikers' demands and by espousing significant ~~administrative~~ relief for legitimate farmer needs. (DT)

FYI - Rhodes and Republicans have announced their own policy which is more generous. (JF)

A recent meeting with the President and Neal Smith (Dem from Iowa) will result in a memo to Bergland and the President (VP)

8:45 AM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

March 21, 1978

MEETING WITH REP. GOODLOE BYRON (D-6-MD)

Wednesday, March 22, 1978

8:45 a.m. (5 minutes)

The Oval Office

From: Frank Moore *f.m/pd*

I. PURPOSE

Photo opportunity and offer of congratulations on the enactment of Rep. Byron's bill affecting the Appalachian Trail.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

Background: Rep. Byron was the chief House supporter of H.R. 8803, a bill which increases the authorization for Federal land acquisition along the Appalachian Trail by \$90 million. In addition, the bill establishes an Advisory Council for the Appalachian National Scenic Trail, requires the Secretary of the Interior to submit a comprehensive acquisition and management plan to the Congress within 2 years, and expands authority for Federal condemnation of private lands along national trails. Deadline for action on the bill is March 21.*

H.R. 8803 is the first major piece of legislation sponsored by Rep. Byron to be enacted. Originally, he had requested a signing ceremony to be conducted on the Appalachian Trail near Camp David.

Rep. Byron has served in the House since 1970. He is on the Interior Committee (#13) and the Armed Services Committee (#25). His wife's name is Beverly.

Participants: The President, Rep. Byron, Frank Moore and Bill Cable.

Press Plan: White House Photographer.

* The bill was signed on Tuesday, March 21. The Press Office made no announcement, pending this photo opportunity with Congressman Byron.

III. TALKING POINTS

1. Congratulate Rep. Byron on the enactment of his bill. Attached is a signing pen which you might want to give to Rep. Byron commemorating your signing of his bill.

THE PRESIDENT'S SCHEDULE	
Tuesday - March 21, 1978	
7:15	Dr. Zbigniew Brzezinski - The Oval Office.
7:45	Mr. Frank Moore - The Oval Office.
8:00 (60 min.)	Congressional Leaders Breakfast. (Mr. Frank Moore) First Floor Family Dining Room.
9:45	Mr. Jody Powell - The Oval Office.
10:30 (90 min.)	Meeting with His Excellency Menachem Begin, The Prime Minister of Israel. (Dr. Zbigniew Brzezinski) - The Oval Office and The Cabinet Room.
12:30 (30 min.)	Lunch with Vice President Walter F. Mondale. The Oval Office.
1:15 (15 min.)	Mayors Lee Alexander of Syracuse, Henry Maier of Milwaukee, and Richard Hatcher of Gary, Democratic Mayors Conference. (Mr. Jack Watson) The Cabinet Room.
1:45 (20 min.)	Mr. James McIntyre - The Oval Office.
2:15 (10 min.)	Greet the National Teacher of the Year. (Ms. Midge Costanza) - The Rose Garden.
2:30 (60 min.)	Meeting with Secretary Robert Bergland et al. (Mr. Stuart Eisenstat) - The Cabinet Room.
7:00	Private Dinner with His Excellency Menachem Begin and Mrs. Begin (Business Suit) - Second Floor Private Dining Room.

3-21-78
Begin visit = 3rd & 14R

2 MOS - 30 YRS AS NATION
COMMITMENT - PERM. UNSHAKABLE
TIES - BLOOD - HIST. RELIGION
- DREAM - NATION → PEACE
SHACKLES OF POTENTIAL WAR
→ PURSUIT OF JUSTICE

→ HUMAN SUFFERING
- CHARACTERISTIC OF JEWS
TRYING FOR
SINCE '67 US PEACE

10 YRS → 242 - MTG JEWS.

NEW OPPORTUNITIES =
- PRESENT IMPASSE 10 DAYS
TERRORIST ATTACK NO
- BLOCK PEACE? NO
100'S KILLED - > 200,000 HARMLESS

END TO DISPUTE -
XFORM LIVES STRONGER
THAN EVER
- PEACE / SECURE ISRAEL
MAN & DESTINY

March 20, 1978

For Presentation Purposes

MEMO TO: The Speaker
FROM : Irv Sprague
SUBJECT: Leadership Meeting 8:00 AM Tuesday, White House

*cc Frank
orig to me
J*

POSSIBLE DISCUSSION TOPICS

With Senate approval of the Panama Canal Treaty and House action on Humphrey-Hawkins last week, we have the momentum to move after Easter on the balance of the President's program.

THIS WEEK

1. Debt Limit Extension. Rule granted Monday. House Floor Tuesday. (Simple extension of present \$732 billion to July 31. We need the Senate to send it back without amendment.)
2. Federal Election Act Amendments. Rules Monday. House Floor Tuesday. Major fight on Rule. Campaign financing will be Floor amendment.
3. Postal Reform. General debate completed. Administration agrees not to oppose bill on House Floor but reserves right to work for better bill in Senate.
4. Middle Income Student Assistance. Action blocked Monday (156 to 218). Rules canceled. Ullman to markup tuition tax credit bill April 11.
5. Farm Bill. Senate Tuesday takes up three bills to be added to House-passed raisin bill: (a) \$4 billion loan program (similar to House committee bill) plus \$700 million water and sewer grants; (b) \$4.5 billion land diversion bill; and (c) \$2.8 billion flexible parity bill.
6. Energy. Conferees meet Tuesday. House Democratic conferees willing to accept phased deregulation. Other details being worked out.
7. Clinch River. Science Committee Tuesday considers Energy Authorization, including Clinch River redesign.
8. Also scheduled, if time permits: Shipping Act Amendments, Disaster Relief.

AFTER EASTER

1. Budget Resolution. Chairman sets his mark March 23. Committee markup begins April 4. Report filed April 15. House Floor week of May 2. Controversy over relative size of social and military spending. Committee probably will come out with about a \$20 billion net tax cut provision, leaving open the possibility of including about \$5-6 billion for social security tax reductions.
2. Appropriations. Markup planned in subcommittee April 24 to May 5. Full committee May 22 to June 2. Eleven of the thirteen bills will be reported. Six to eight will need rules because of lack of authorization. Rules June 6. Floor June 8 through 23.
3. Social Security. Caucus April 5. (See Attached.) Pressure continues to build on the Floor for the Administration to propose some kind of social security tax cut this year. Tying social security to energy taxes picking up support. Budget resolution most certainly will make some provision. Ways and Means plans to begin tax bill markup about mid-May.
4. Hospital Cost Containment. Rostenkowski and Rogers met last week and agreed to move first on Rogers bill in Commerce Committee. Full committee markup after Easter. Votes close. Looks very tough in Ways and Means. The Administration may have to make deal for Labor pass-through to get a bill.
5. Arms Sales. Message after Panama vote for: \$1.9 billion planes to Israel, \$400 million planes to Egypt and \$2.5 billion planes to Saudi Arabia. Package deal.
6. Lobby Reform. Ordered reported. To be filed this week.
7. Alaska Lands. Interior to order bill reported Tuesday. Sequential referral to Merchant Marine. (Considering 30-day referral from date Interior ordered reported.)
8. Airline Deregulation. Subcommittee hopes to finish this week. Full committee markup begins April 5.
9. Civil Service Reform. Post Office hearings underway. Much opposition. Reorganization plan not yet sent to Government Operations.
10. Welfare Reform. Ullman, Corman, Long, and Moynihan have met with President. Corman distressed after meeting. HEW trying to put something together. Ullman plans to take up after tax reform.

ATTACHMENT

PASSED HOUSE AND SENATE

Age Discrimination in Employment (conferees agreed)(House Floor this week)
Outer Continental Shelf
D.C. Appropriations (Convention Center issue)
Energy (conferees meet Tuesday)
FTC Amendments (sent back to conference) (Legislative Veto issue)
Insecticide Act
Redwoods (House approved conference report; Senate acts Tuesday)
Judges
Bankruptcy
OPIC (conferees meet Tuesday)

PASSED HOUSE

Hatch Act
Labor Law Reform
D.C. Voting
International Monetary Fund
Waterway User Fees
Humphrey-Hawkins

THOMAS S. FOLEY
CHAIRMAN

Democratic Caucus

SHIRLEY CHISHOLM
SECRETARY

FORMER CHAIRMEN

PHILLIP BURTON (CALIF.)
OLIN TEAGUE (TEX.)
DAN ROSTENKOWSKI (ILL.)
EUGENE KEOGH (N.Y.)
ALBERT THOMAS (TEX.)
FRANCIS WALTER (PA.)
MELVIN PRICE (PA.)
JOHN ROONEY (N.Y.)
WILBUR MILLS (ARK.)
JERE COOPER (TENN.)
AIME FORAND (R.I.)
HARRY SHEPPARD (CALIF.)
RICHARD DUNCAN (MO.)
JOHN MCCORMACK (MASS.)
ROBERT DOUGHTON (N.C.)
EDWARD TAYLOR (COLO.)
CLARENCE LEA (CALIF.)
WILLIAM ARNOLD (ILL.)
DAVID KINCHELOE (KY.)
ARTHUR GREENWOOD (IND.)
CHARLES CARTER (OKLA.)
HENRY RAINEY (ILL.)
SAM RAYBURN (TEX.)
ARTHUR DEWALT (PA.)
E. W. SAUNDERS (VA.)
A. MITCHELL PALMER (PA.)
ALBERT BURLESON (TEX.)

U.S. House of Representatives

1109 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-9141

March 17, 1978

IMPORTANT NOTICE

IMPORTANT NOTICE

Dear Colleague:

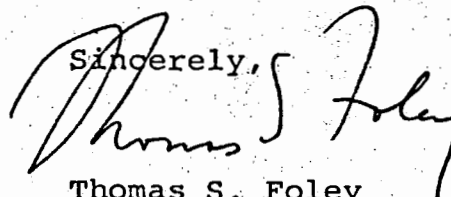
You are hereby notified that in response to a request submitted on March 14, 1978 by Mr. Miller of California, Mr. Stark of California and more than 50 Members, and to an identical request by Mr. Burke of Massachusetts and more than 50 Members on March 15, 1978, there will be a special meeting of the Democratic Caucus on Wednesday, April 5, 1978 at 9:00 a.m. in the Hall of the House of Representatives.

The agenda will consist of the identical resolution submitted in both petitions:

Resolved, that it is the sense of the Democratic Caucus that legislation be enacted this year to provide for the use of general revenue funds to finance a portion of the social security system with appropriate reductions in social security payroll taxes to reflect the use of such funds.

Resolved, further, that the Democratic Members of the House Ways and Means Committee are hereby requested to report such legislation as soon as possible, in order that legislation can be enacted before the end of the 2nd session of the 95th Congress, and the Democratic Members of the House Budget Committee are requested to adjust the First Concurrent Resolution on the FY 1979 Budget to reflect the use of general revenues to finance a portion of the social security system.

Sincerely,



Thomas S. Foley
Chairman

~~THE PRESIDENT HAS SEEN~~

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO THE PRESIDENT

FROM: HAMILTON JORDAN *HJ*
LONDON BUTLER *LB*

DATE: MARCH 21, 1978

SUBJECT: COAL STRIKE UPDATE

When Judge Robinson refused on Friday to extend the Taft-Hartley temporary restraining order, he was influenced by the following facts:

- Total coal production has been steadily increasing since late January; the rate of coal production stands now at 52 percent of last year's rate.
- Total shipments into the ECAR region has steadily increased since early February; the present rate of shipment does not imperil health and safety in the region.

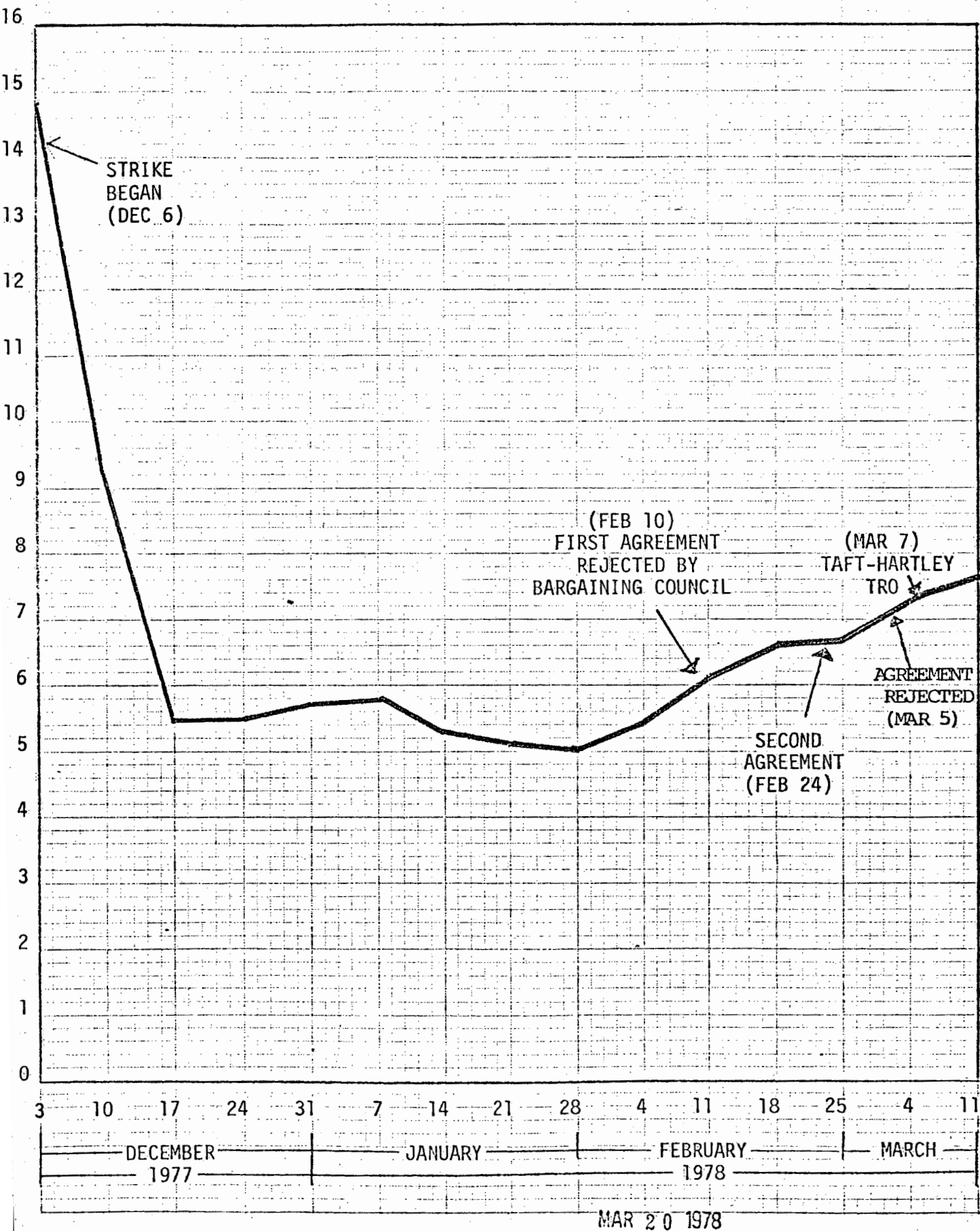
These trends are shown on the attached charts. As you can see, it is difficult to make the case that the Taft-Hartley TRO caused the trends, and that its continuation is therefore necessary. It is more likely that the favorable trends were caused by the DOE effort to expedite coal shipments, by firm law enforcement at the state level, and by NLRB action against illegal picketing.

DOE will obtain production and shipment figures daily during the coming week in order to spot a reverse of the trends if it occurs. Justice lawyers are working this week to improve their affidavits, but if the trends continue upward, it will be even more difficult to make a strong case for preliminary injunction on March 28.

The reports are mixed from the UMWA district meetings Sunday and Monday. The Judge's decision seems to have had little impact other than to underscore to the miners the futility of waiting for seizure. Media coverage has been more balanced than before, and there have been far fewer demonstrations or instances of violence.

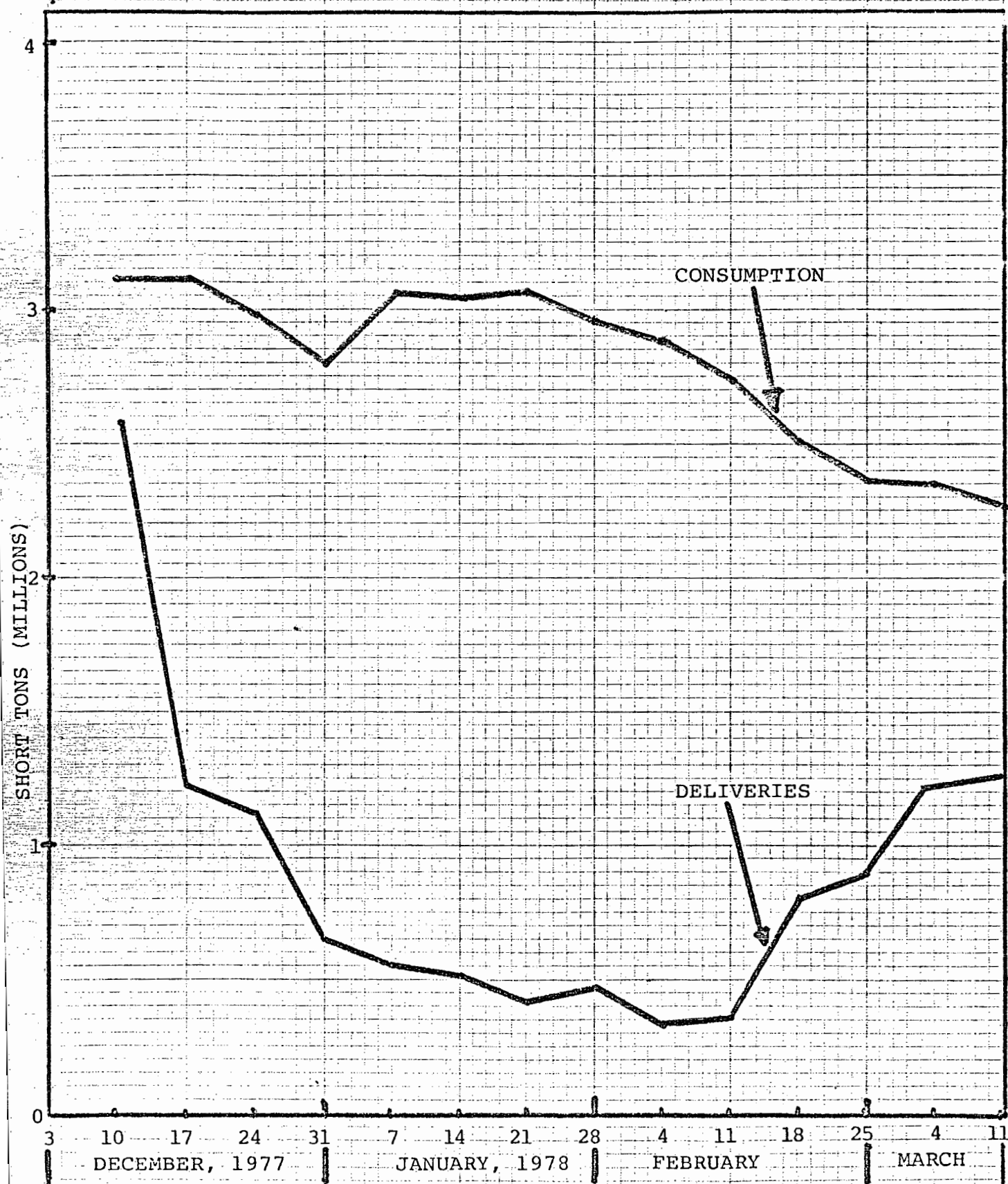
Our best posture now is to monitor shipments and production carefully, to do what we can to improve our Taft-Hartley case, and to await Friday's vote with as little comment as possible.

PRODUCTION OF COAL, BITUMINOUS AND LIGNITE PER WEEK



SOURCE: Energy Information Administration

DELIVERIES AND CONSUMPTION OF BITUMINOUS COAL AND LIGNITE
PER WEEK IN THE ECAR REGION

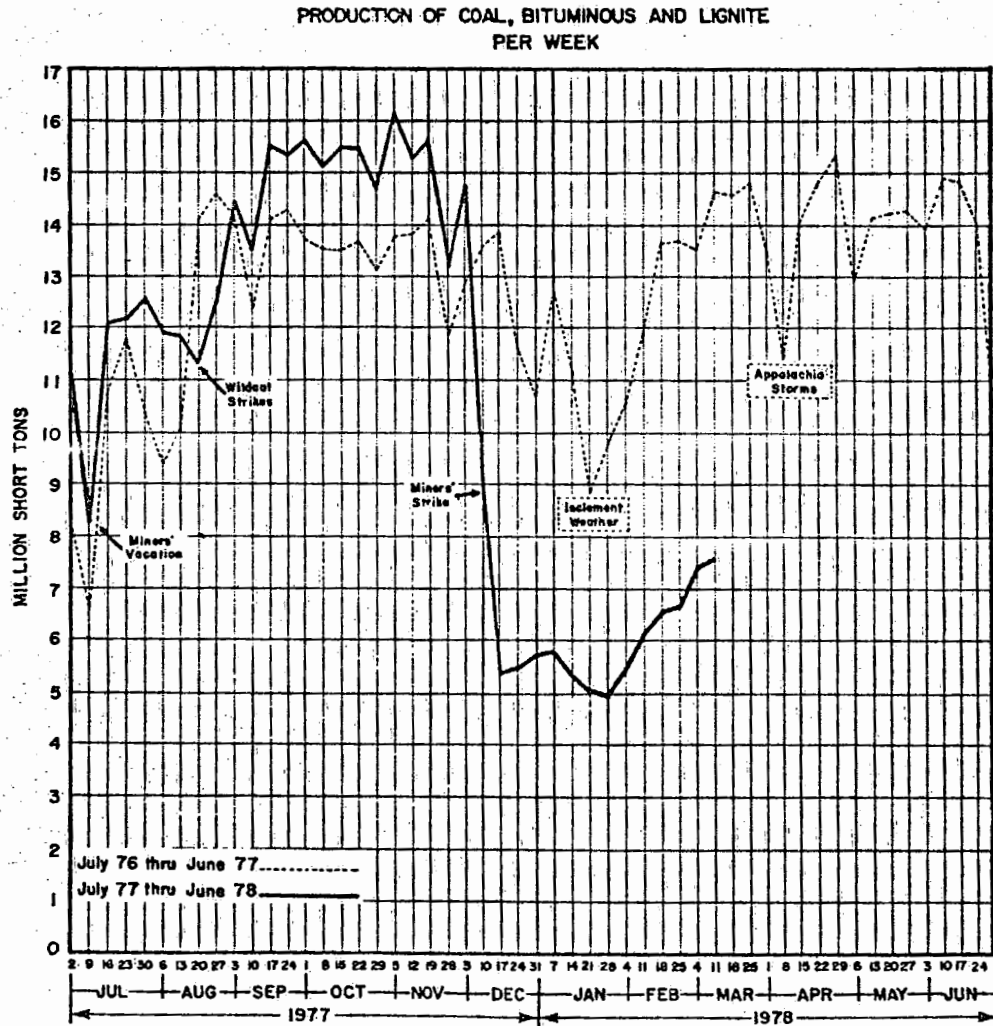


MAR 20 1978

SOURCE: ECONOMIC REGULATORY
ADMINISTRATION, DOE

NATIONAL TRENDS

Coal production for the week ended March 11, was estimated at 7.6 million tons, 52 percent of the coal that was produced during the same week last year. Overall, preliminary data indicate that production during the year 1977 amounted to 672 million tons, about 1.0 percent less coal than was produced in 1976.



	Week ended			January 1 to date		
	March 11, 1978	March 4, 1978 1/	March 12, 1977 2/	March 11, 1978 2/	March 12, 1977 1/	Change from last year (percent)
BITUMINOUS COAL AND LIGNITE:						
Total, including mine fuel-----	7,580,000	7,330,000	14,685,000	62,765,000	120,130,000	- 48.0
Number of cars loaded f.o.b. mines--	44,616	42,957	104,156	342,987	762,292	

1/ Revised.
2/ Subject to current adjustment.

1:15 PM

THE WHITE HOUSE

WASHINGTON

March 20, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*
BRUCE KIRSCHENBAUM

SUBJECT: Meeting with Democratic Mayors - Dick Hatcher,
Henry Maier, Lee Alexander

Time: 1:15 p.m., Tuesday, March 21, 1978
(15 minutes)
Cabinet Room

Press: White House Photographer

I. Background/Purpose of Meeting

The Democratic Mayors Conference designated these three Mayors to seek a meeting with you concerning the Urban Policy and the urban political situation. We met with them last month and each of them will probably make the following points:

- A. Lee Alexander (presently President of the U. S. Conference of Mayors). He will stress the great need in our cities for real help. He will state that Mayors have been very supportive of your Administration, they are in the front line every day, etc.
- B. Henry Maier (founder of Democratic Mayors, and now heads their Urban Policy Committee). Henry has developed an excellent "zero based" approach to urban issues, using Milwaukee as an example. He made a presentation to Stu several weeks ago. The program gives first priority to economic development and employment programs.

- C. Dick Hatcher (President of the Democratic Mayors Conference). Dick will stress the need to have a concentrated and well-coordinated effort in several specific cities in order to show some visible and concrete accomplishment by 1980. Dick believes that the cities are in desperate need of help, and that now is the best chance we will ever have to make a substantial difference in alleviating urban problems.

At its mid-year meeting here last month, the U. S. Conference of Mayors proposed that the federal government's aid to cities (over and above the FY 79 budget) should be 11.3 billion additional dollars. A major component of that figure, however, was their proposal that public service employment jobs in FY 79 be increased to over one million, rather than 725,000 jobs, as proposed. That change alone would cost more than four billion dollars.

The mayors, in general, have also expressed concern about a "state role" in urban policy because of their skepticism about the attitudes on urban problems that governors and state legislatures are likely to express. We have stressed that the state role is designed to induce states to undertake fiscal reform and public investment strategies that favor cities and other local communities in distress. In effect, we are simply trying to induce states to assume their full share of responsibility for dealing with the problems of cities and in targeting limited assets to the places that need them most.

The mayors have also expressed concern about the concept of direct grants to neighborhood projects. They feel that such a direct funding relationship between the federal government and neighborhood groups would undermine the mayors' authority and mitigate against cohesive and coherent city planning. We have assured them that any such neighborhood funding strategy would require the sign-off by the mayors involved. You might reassure them on both these points.

II. Other Participants

Stuart Eizenstat
Jack Watson

III. Additional Talking Points

This is mainly a listening session for you. The main purpose of the meeting is to give these three major Democratic mayors, all of whom are in leadership positions with the U. S. Conference of Mayors, a chance to have political and substantive input to you before you make your final decisions on the urban policy. Since the meeting will be short, you should make clear that you want to hear from them rather than talk yourself. Some quick points that you might make before they leave are as follows:

- The problems of our cities did not occur overnight and will not be solved overnight. You are committed to a continuous and long-term process of targeting our resources to cities more effectively, and in leveraging government expenditures to the maximum extent possible with private sector investment.
- You are also committed to using federal policies and incentives to induce state and local government policies that will be most helpful to cities.
- You are determined to make the most of the very substantial federal resources that are already being invested in cities, and you need their help in calling the attention of the public to the substantial increases in those programs you have brought about in the last fourteen months.
- Tell them that you need their help in selling and explaining the urban policy, not only because of its importance to their cities but because of its importance to the country at large. Underscore your reliance on them, as Democrats, to help make the program work.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

March 18, 1978

C

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*

SUBJECT:

Domestic Policy Staff Weekly
Status Report

HOUSING AND URBAN DEVELOPMENT

Urban Policy: DPS continues to meet with agencies and OMB to finalize our urban policy proposal. Memo to you Monday, March 20.

INTEGRITY AND OPENNESS IN GOVERNMENT

Lobby Law Reform: We continue to work with Frank's staff to move the Senate Governmental Affairs Committee to mark-up, and on House floor strategy.

CIVIL SERVICE MATTERS

Civil Service Reform Initiative: House hearings began on March 14, and Campbell, Califano and Brown testified for the Administration. On March 15, Chairman Nix cancelled hearings, over problems with our postal reform position, but we have worked those out and civil service hearings will be resumed on March 21st. Negotiations with labor continue. Newspaper editorial coverage around the country has been extraordinarily supportive.

POSTAL REFORM

H.R. 7700, the Postal Reform Bill is scheduled to be taken up on the House floor early next week.

NATURAL RESOURCES

Water Policy Study: Justice Department argues appeal of North Dakota lawsuit on Tuesday, March 21.

Alaskan D-2 Lands: House Interior Committee completed detailed mark-up, and will vote on reporting the bill March 21. The Administration lost on some significant issues, but was largely successful. House Merchant Marine will consider the bill next.

Redwoods: House has approved conference report. Senate is expected to approve in early April.

COMMUNICATIONS

Reorganization: Last minute jurisdictional struggles have cropped up on the Executive Order splitting up the functions of the Office of Telecommunications Policy. We are continuing to work with OMB to resolve them.

Privacy Study: The reports of the agencies' task forces are coming in on schedule, and we are beginning to draft recommendations. The final product is due to go to you at the end of May.

AGRICULTURE AND RURAL DEVELOPMENT

Farm Policy: The Department of Agriculture is developing additional information regarding the budgetary, price, and income effects of the policy options that will be discussed Tuesday when you meet with Secretary Bergland.

Crop Insurance Proposals: A memorandum identifying three major program options -- 1. all Federal, 2. joint Federal-private, 3. reinsurance -- will be coming to you for a decision within the next few days.

HUMAN RESOURCES

Social Security: We are preparing a memorandum for you outlining the views of the agencies and your advisors on the position we should take regarding new social security legislation this year. There is strong pressure in the House for action, including the Speaker. The situation in the Senate is less certain. At this time there does not appear to be unanimous position within the Administration.

Welfare: We are meeting with DOL and HEW to determine a strategy for welfare reform this year in light of your meeting with the committee chairmen. We are weighing the potential for success this year against the possibility that a push for the bill this year could lead to regressive legislation rather than reform.

Pensions: We are completing the consultations on the establishment of the Pension Commission. Draft legislation should be ready within ten days. We are working with OMB to better organize our policy-making in the pension area which currently consumes over 25% of the federal budget and vast amounts of private, state and local funds.

ENERGY

National Energy Act (NEA): Natural Gas Conference discussions have resumed. DPS, OMB, Frank Moore, CEA and Schlesinger's staff continue to monitor closely and will make reports and/or recommendations to you as necessary.

Nuclear Licensing Reform: Legislation sent by DOE to the Congress on March 17.

Energy Impact Assistance: Preparation of options for decision proceeding. Final decision memorandum still in preparation by Secretaries Schlesinger and Kreps. Now due to you week of March 20.

CRBR Agreement with the Congress: Continuing to work with Schlesinger to reach agreement with the Congress on termination of the CRBR.

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
/	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

1539

THE WHITE HOUSE
WASHINGTON

March 21, 1978

Stu Eizenstat
Jack Watson

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

RE: URBAN POLICY SCENARIO

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

*Jack, Stu - I haven't even
seen the final
options yet. Cabinet
haven't been briefed.
(Joe, Ray, Juanita, etc)
J.C.*

MEMORANDUM TO: THE PRESIDENT

FROM:

Jack Watson *Jack*

March 20, 1978

RE:

Scenario for Announcement of the Urban
Policy

The following is a consensus recommendation from Pat Harris, Ham, Jody, Stu, Midge, Frank and me as to a proper scenario for announcement of the urban policy.

I. Announcement.

- A. Time: Monday, March 27, 4:00 p.m.
- B. Place: East Room, White House
- C. Format: (a) Presidential speech before audience and press;
(b) Audience will be composed of Members of Congress, black leaders, labor, business, other interest groups, mayors, governors and other elected officials;
(c) Reception for the audience, similar to the one held after the civil rights reorganization announcement.

II. Briefings.

Because of press lead time and Congress being out of session on March 27, a number of initial briefings will be held before your formal announcement:

A. Congress: Frank has suggested the following schedule,

- 1. Several key members will be briefed individually by Stu early this week; O'Neill, Reuss and Ashley will not be here after Wednesday evening;

2. Other key members will be briefed at the White House by Stu and Pat Harris on Friday;
3. Key Congressional staff members will be briefed on Monday morning.

B. Press: Walt Wurfel has suggested the following schedule,

1. Weekly magazines - Time, Newsweek, U.S. News & World Report will receive background briefings on Friday afternoon for their press deadline on Saturday;
2. Leading news organizations such as the New York Times, Washington Post, Los Angeles Times, Wall Street Journal, Chicago Sun-Times, newspaper syndicates, etc., will receive similar background briefings with a 4:00 p.m., Monday embargo;
3. Black editors will be briefed Monday morning at 10:00 a.m.

All of the following groups will be briefed on Monday morning by either Stu, Pat Harris, Bob Embry or me:

- C. Mayors and local government officials.
- D. Governors and state legislators.
- E. Black leaders.
- F. Labor/business/community organizations.

There will be a total of seven briefings on Monday morning before your announcement (in addition to the sessions this week with Members of Congress and press).

Another schedule of briefings will be developed for after the announcement, including speech schedules for the entire Cabinet, mayors, governors, etc. (Pat Harris and Stu are briefing the Cabinet tomorrow from 3:30 to 5 p.m. on the basic outline of the urban policy.)

CC: Pat Harris	Stu Eizenstat
Ham Jordan	Midge Costanza
Jody Powell	Frank Moore
	Bunny Mitchell

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
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		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
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	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

1537

THE WHITE HOUSE
WASHINGTON

March 21, 1978

Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

RE: CALLS TO TIGER TEUGE AND
RUSSELL LONG

THE PRESIDENT HAS SEEN.

Frank J

THE WHITE HOUSE
WASHINGTON

March 17, 1978

MEMORANDUM TO THE PRESIDENT

FROM FRANK MOORE *fm.*

Two calls should be done on the flight back Monday night.

1. A telephone call to Tiger Teuge, before Tuesday morning markup (Schlesinger memo attached). *done*

2. A telephone call to Russell Long. *done*

a. To thank him for his help with Ford, Cannon, Burdick, and Stennis on the first treaty to ask him for his continued help on the second treaty.

b. To tell him that natural gas conference looks good and we would like to wind up the tax conference as soon after as possible because of the stability of the dollar. Dan Tate is working the tax portion of the energy bill in the Senate.



Department of Energy
Washington, D.C. 20585

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JIM SCHLESINGER

SUBJECT: CLINCH RIVER BREEDER REACTOR

Following my meeting earlier this week with Congressmen Teague, Flowers, McCormack, Wydler and others, discussions have proceeded toward the arrangement which you approved in the earlier memo from Stu, Frank Moore and myself. This would call for termination of CRBR, a statement by you regarding light water reactors and a commitment to pursue aggressively a study only of a larger (650 MWe) breeder facility, including examination of alternative fuel cycles.

Congressman Flower is strongly supportive of this arrangement. We believe Congressman Wydler (ranking Republican on House Science and Technology Committee) will also agree. Congressman McCormack is adamantly opposed and wants CRBR constructed. Chairman Teague is wavering in his support, and a call from you to Chairman Teague would be most useful in helping him along in agreeing to this arrangement.

His principal articulated concern seems to relate to a desire to trade "mortar for mortar," and perhaps unwillingness to trade a CRBR facility for a study of a larger facility. The utility industry and nuclear vendors have been pressuring him, and he is reflecting that pressure.

It is my understanding following your meeting with the Tennessee delegation today, and your indication to them of your continued opposition to CRBR, that negotiations should be continued in an attempt to conclude an agreement before House Science and Technology acts on this matter next week.

Attached are suggested talking points for a conversation with Chairman Teague. I would urge that you make this call before Tuesday, since House Science and Technology will hold a hearing on Tuesday on this issue and mark-up shortly thereafter, and support from Chairman Teague will be crucial.

Talking Points

- o There is a need to end the impasse on the CRBR issue and to give encouragement to domestic use of light water reactors as an energy source.
- o We need your help to end a confrontation that will benefit neither the Presidency nor the Congress and most importantly which will delay the development of a sound breeder research and development program.
- o I am committed to a strong breeder research and development program and want to break the deadlock which will likely result in a decline in our technological capability the longer it continues.
- o As you know, I oppose Clinch River construction and want to avoid another confrontation between the Executive Branch and the Comptroller General on use of money for CRBR. Given the legal, technological and cost problems associated with CRBR, I doubt it will ever be built.
- o The offer which we have made would encourage the domestic nuclear power industry for light water reactors, which I know is important to you and the Science and Technology Committee.
- o In addition, by starting a study of a larger breeder facility earlier, and devoting more Federal dollars to it, we would keep the strong design team together.
- o We cannot commit at this point to construction of the larger breeder facility since there are many questions relating to cost, technology, and need for such a facility that must be resolved by the study.
- o However, the offer we have made could accomplish a number of important objectives:
 - . avoid an unnecessary confrontation between the President and the Congress.
 - . give greater certainty regarding the use of light water reactors, and
 - . give the Nation's breeder program a new and more appropriate focus--looking at more advanced technologies, a more appropriate size and a better design for a potential breeder reactor.
- o I hope you will lend your support and will reflect that support in your mark-up of the Department of Energy budget this week.

1538

THE WHITE HOUSE
WASHINGTON

March 21, 1978

Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

RE: THANK YOU LETTERS - FIRST TREATY
VOTE

THE WHITE HOUSE
WASHINGTON

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	FOR INFORMATION
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	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

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	STRAUSS
	VOORDE
	WARREN

100-100000

100-100000

ok
J

THE WHITE HOUSE
WASHINGTON

March 20, 1978

MEMORANDUM TO THE PRESIDENT

FROM: FRANK MOORE *F.M.*
BOB THOMSON *Bob*
BOB BECKEL

RE: THANK YOU LETTERS

Attached for your approval or comment is a draft of a thank you letter to Senators who supported us on the first Treaty vote. The letter contains an optional paragraph to be included for those Senators who were early supporters.

We suggest the additional paragraph for early supporters because many are somewhat miffed at the special treatment given the late undecideds.

After you approve a draft, we will have all 68 letters typed and return them to you with suggested comments you can add to each in your own hand.

DRAFT
3/20/78

To Senator _____

Last week, the Senate passed the Treaty securing the right of the United States to defend the neutrality of the Panama Canal after the year 2000. By approving the Neutrality Treaty, you and your colleagues also have helped fashion a more stable relationship with Panama and other Latin American nations. Thank you for your ^{courageous} support.

(OPTIONAL) For Early Supporters

Even though attention has focused on those Senators who waited until the final days to announce their positions, I want you to know that I have not forgotten your early and consistent support for the Treaties. Unlike today, the national polls did not indicate widespread approval of the Treaties when you ^{indicated} ~~announced~~ your decision. By taking a forthright stand early, you helped considerably to convince the American people that the new Treaties are in the best interests of the United States.

Much remains to be done. The vote on the Panama Canal Treaty will be as important or more important than the one last week. We will also need your help to defeat crippling amendments to the second treaty. Before this new contest begins in earnest, however, I wanted to congratulate you for the courageous stand you have taken. The vote was a great victory for our future in Latin America.

LETTERS WITHOUT OPTIONAL PARAGRAPH

Bellmon
Brooke
Cannon
Danforth
DeConcini
Hatfield, P.
Heinz
Long
McIntyre
Nunn
Proxmire
Talmadge

LETTERS WITH OPTIONAL PARAGRAPH

Abourezk	Inouye
Anderson	Jackson
Baker	Javits
Bayh	Kennedy
Bentsen	Leahy
Biden	Magnuson
Bumpers	Mathias
Byrd, R.	McGovern
Case	Metzenbaum
Chafee	Morgan
Chiles	Moynihan
Church	Muskie
Clark	Nelson
Cranston	Packwood
Culver	Pearson
Durkin	Pell
Eagleton	Percy
Glenn	Ribicoff
Gravel	Riegle
Hart	Sarbanes
Haskell	Sasser
Hatfield, M.	Sparkman
Hathaway	Stafford
Hayakawa	Stevenson
Hodges	Stone
Hollings	Weicker
Huddleston	Williams
Humphrey	Matsunaga

1534

THE WHITE HOUSE
WASHINGTON
March 2], 1978

Ham Jordan:

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

ADMINISTRATIVELY CONFIDENTIAL

PANAMA TREATY - STATUS

THE WHITE HOUSE
WASHINGTON

*Admin
copy 2*

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	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

March 20, 1978

MEMORANDUM TO THE PRESIDENT

FROM: FRANK MOORE
BOB BECKEL
BOB THOMSON

Bob

RE: PANAMA TREATY - STATUS

1. THANK-YOU'S

You have our draft thank-you letter for those Senators who supported us on the first vote. We have thanked virtually all these Senators personally, as well.

ok

2. TIME AGREEMENT

Senator Byrd has been unable to get Treaty opponents to agree to a time agreement for the second Treaty. Senator Allen will not enter into such an agreement until after the recess. On the floor this afternoon, Byrd threatened to shorten the Easter recess if no agreement was reached. Tempers flared, but we still have no agreement.

✓

3. DECONCINI AMENDMENT

Senator DeConcini has hurt himself badly with his colleagues. Many see his amendment as pure political opportunism on an issue where the stakes are dangerously high. At Senator Byrd's 4:00 meeting today, Treaty proponents bitterly attacked the DeConcini Amendment and the amendment strategy of the opponents. Senators Leahy and Moynihan will give strong speeches on Wednesday opposing the negotiation of treaties by amendment on the Senate floor.

✓

4. FLOOR STRATEGY

On the second Treaty, we will continue to resist amendments, but we have begun to work on acceptable understandings and reservations to keep some of our supporters in line. Among these will be a reservation to void the sea-level canal provision, already pledged to Nunn; an understanding that the contingent \$10 million payment will not result in any accrued

✓

liability to the United States in the year 2000; and possibly an understanding on service payments which is of particular interest to Brooke. Percy has said that he wants tolls raised to cover the entire cost to the United States of the transition, but we believe we can deflect this issue to the implementing legislation where it properly belongs.

We anticipate that most of the battle will be over economic issues and questions relating to our defense posture in the Zone between now and the year 2000. It is conceivable that other understandings or reservations may become necessary as the debate proceeds. We are aware of the sensitive situation in Panama, so we will do our best to avoid any understandings beyond those noted above.

5. STRATEGY ON INDIVIDUAL SENATORS

The following are Senators who voted with us last time, but who need work:

Bellmon	Heinz
Brooke	Long - <i>ok</i>
Cannon	Nunn - <i>ok</i>
DeConcini	Talmadge - <i>ok</i>
Hatfield (MT)	

The following are targets who were against us last time:

Burdick	Schweiker
Domenici	Stevens
Ford	Young
Melcher	Zorinsky
Randolph	
Roth	

Before the week is out, we will seek to have detailed conversations with each of these. Data from these meetings will be used to suggest additional calls for you or cabinet level officials. *ok*

We have given these target names to Hamilton's staff, State Department public affairs, the Citizens' Committee, and other outside groups that are helping us. They intend to provoke pro-treaty activity in each of the Senators' states during the recess. ✓

6. FLOOR ACTION TODAY

Two amendments caused problems on the floor today. A Dole Amendment specifying that no foreign troops would be allowed in Panama before 2000 was narrowly defeated 45 to 39.

Absentees cut heavily against us. Two last minute switches avoided an even closer 43 to 41 vote on the tabling motion. The Vice President was in the chair.

The heavier than usual vote for the opponents was probably a reaction to anti-Treaty calls received after the Thursday vote. These calls are already slacking off in most offices. Nevertheless, we are taking the vote as a warning signal.

The second amendment offered by Senator Wallop would have revived the 1903 Treaty in case Panama abrogated all or any part of the new Panama Canal Treaty. We won more handily, but no proponents would debate Wallop on the amendment. Durkin finally wandered onto the floor and offered a tabling motion, whereupon Wallop and other opponents launched a vicious attack on the leadership's tabling tactics. This provoked an angry response from Senator Byrd. The episode probably moved us farther away from concluding a time agreement.

7. OUTLOOK

The outlook on the second Treaty is far from certain. Bob Thomson talked to Cannon today and he is very shakey. Brooke has a multitude of ultimatums, only some of which we can accept. Paul Hatfield is uncertain.

On the other hand, opponents on our target list will be hard to move. Laxalt claims 33 solid votes against the second Treaty, probably including Cannon.

Obviously, our work is cut out for us.

THE PRESIDENT HAS SEEN.

WELCOMING STATEMENT FOR PRIME MINISTER BEGIN

March 21, 1978

It is a special pleasure for me today to welcome Prime Minister Begin to Washington. This is our third meeting in less than a year, a fact which demonstrates the intensity of efforts which have been devoted to the search for peace in the Middle East.

We meet today at a particularly critical moment. The euphoria experienced by the entire world as the Israeli people welcomed President Sadat to Jerusalem has yielded to the gravity of hard political choices.

We meet at a time when the cruel effects of war and political hatred have again appeared in the Middle East, as they have so many times in the past. This vicious cycle of bitterness and violence, of terror and retribution, has marred the lives of generations in the Middle East. We cannot afford to let another generation grow up learning hatred and fear. The cycle must be broken. It must not be allowed to dominate the future as it has dominated the past.

This is a momentous time. In two months we shall celebrate the thirtieth year of Israel's existence as a sovereign nation of free people. Only minutes after Israel declared its independence, the United States extended recognition to the new state. From those initial moments of uncertainty until the present day, through more adversity and suffering than most nations experience

in a century, the United States has stood at Israel's side. And there we shall continue to stand.

Israel's achievements are uniquely its own, the product of an unquenchable spirit of idealism, freedom and self-reliance. We in America have responded to that spirit, which harbors echoes of our own frontier past. Israel today, after thirty turbulent years, is physically stronger and more vibrant politically than at any other time in its history. Israel is no longer simply a burning idea. It is a powerful nation of free individuals, who choose their own political destiny. The American people derive satisfaction in the knowledge that we have contributed in some small measure to the realization of that dream. We salute that new reality as the product of thirty years of sacrifice and dedication.

Today I shall sit down with Prime Minister Begin to discuss that other dream we share with the people of Israel, the dream of true peace. We have no illusions about the difficulty of attaining peace, but today we are fortunate in several ways:

-- We are dealing with an Israeli nation which is strong and confident of its own abilities. Never before has Israel been so superbly equipped to meet the challenges of peace.

-- And never before has the promise of peace been so tangible and so near. We have had a glimpse of what the future can hold. We know that it requires only the courage to break with the sterile and self-defeating patterns of the past.

Mr. Prime Minister, you face a challenge and an opportunity: the challenge of providing security for your people and the opportunity to do so by achieving peace. I know that you will be equal to the challenge and will seize the opportunity. As your partner in this great enterprise, it is my privilege to welcome you here this morning on behalf of the people of the United States.

THE PRESIDENT HAS SEEN.

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

CHARLES L. SCHULTZE, CHAIRMAN
LYLE E. GRAMLEY
WILLIAM D. NORDHAUS

March 21, 1978

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Lyle E. Gramley

Subject: New Orders for Durable Goods in February

The Commerce Department will release figures today (Tuesday, March 21) at 2:00 p. m. on new orders for durable goods in February. The news is disappointing.

Total new orders for durable goods rose just 2.5 percent in February, following a decline of 6 percent in January. The principal increases in February were in orders for motor vehicles and commercial aircraft. Orders for nondefense capital goods -- an indicator of prospects for business fixed investment -- rose 2.3 percent, mainly reflecting the increase in the commercial aircraft component.

New orders for durable goods grew strongly in the fourth quarter of last year, but have been relatively weak in the past two months. Total new orders in February were only 0.4 percent above the fourth quarter average; orders for capital goods were only 1.3 percent above the fourth quarter level. These increases are smaller than the rise in durable goods prices. It is unlikely that adverse weather or the coal strike played a major role in the recent slowdown.

Orders for durable goods are very volatile -- figures for one or two months do not make a trend. A continuation of slow growth for another couple of months, however, would raise questions about the strength of demands for durable goods.

8:00 AM

THE WHITE HOUSE

WASHINGTON

March 20, 1978

C
/

CONGRESSIONAL LEADERSHIP BREAKFAST

Tuesday, March 21, 1978

8:00 a.m.

Family Dining Room

From: Frank Moore *J.M./P.L.*

I. PARTICIPANTS

See Tab A

II. PRESS PLAN

White House Photo Only

III. AGENDA

1. Debt Ceiling. Last week the Senate Finance Committee and the House Ways and Means Committee voted to extend the current debt limitation of \$752 Billion until July 31, 1978. The bill will be taken up by the House on Tuesday, March 21, 1978. You need to stress with both the House and Senate leadership the need for their help in getting affirmative floor action on this bill. It is important that this bill not be allowed to fail again this time.

2. Middle Income Student Assistance. Through a procedural maneuver, the House acted today (Monday) not to take action on the tuition tax credit. In light of this development, you should ask the Speaker where we go from here.

3. Clinch River Breeder. You should emphasize with the leadership that you hope that your statements on nuclear licensing and other energy alternatives have satisfied the pro-nuclear people in the House. You do not need to ask the leadership to do anything but you should continue to stress the importance of this matter to you.

4. Airline Regulatory Reform. The Subcommittee will mark-up this bill on Tuesday. You should mention that you are hopeful that there will be some sort of a market entry amendment. You should also point out that this legislation continues to be the centerpiece of your efforts to get government out of business.

5. Farm Policy. On Tuesday, the full Senate will consider both the Talmadge land diversion bill and the Dole flexible

parity bill. We expect that Senator McGovern will offer an amendment to the Talmadge bill to increase target prices and loan levels for wheat and feed grains. This is designed to make the Talmadge bill a more attractive alternative to the Dole bill and to switch McGovern's support to the Talmadge bill. If so amended, the Talmadge bill will possibly remain intact even though the Dole forces intend to offer the flexible parity approach as an amendment to the Talmadge proposal. As of this time, we have taken no formal position on the Dole bill (USDA has not recommended against it in a formal report) and we have taken no position on the Talmadge bill. Senator Talmadge is bitterly disappointed that we have not fought Dole.

You may want to ask Senator Byrd and other Senate leaders for their active opposition to the Dole bill which will also be offered as an amendment to the Talmadge bill.

Congressman Foley will be at breakfast and is moving with his own bill which is similar to the Talmadge/McGovern approach. You may want to seek his views as well.

6. Arms Package. See Tab B.

7. Middle East. You should brief the leadership on the meetings you plan with Prime Minister Begin.

T
A
B

A

PARTICIPANTS

The President

The Vice President

Secretary Schlesinger

Dr. Brzezinski

Jim McIntyre

Senate

Majority Leader Byrd

Alan Cranston

Daniel Inouye

House

Speaker O'Neill

Cong. Wright

Cong. Brademas

Cong. Rostenkowski

Cong. Foley

Cong. Chisholm

Frank Moore

Bill Cable

Bob Beckel

Dan Tate

Bob Thomson

Bill Smith

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

March 20, 1978

MEMORANDUM FOR: FRANK MOORE
FROM: MADELEINE ALBRIGHT
SUBJECT: Leadership Breakfast -- Arms Package

We are very concerned that during the Easter Recess Members will be facing tough constituent pressure to oppose the arms package.

It is very important that the President reaffirm his commitment to the entire arms package, especially in light of Secretary Vance's discussion with Senator Byrd about postponing the formal notification until after the Panama vote.

State is particularly concerned that if too much time elapses we will have serious problems with the Saudis, Israelis, and Egyptians. Furthermore, the longer it takes to bring the subject up, the further we get into an election year and the harder it will be to win.

The Congressional leaders will probably raise the issue of Israeli activities in Lebanon, to try to persuade the President to hold off on the arms package. The President can point out what we have been trying to do through the UN to secure Israeli withdrawal, and that he is planning to discuss the issue with Begin.

Talking Points

1. We do not see the arms package as a de-stabilizing factor in the Middle East situation. On the contrary, we believe that the sale of aircraft recognizes the legitimate defense concerns of Israel, Egypt, and Saudi Arabia. To reject the requests at this time would make it difficult for us to maintain the confidence of these key states in the Middle East peace process.

The package will also be useful as a demonstration that these nations can rely on the U.S. and will reinforce our role in working with the parties for a settlement.

2. It is essential to keep the arms sales in a package, because as such we believe they will not upset the military balance in the Middle East. In fact, we think that presenting the arms sales as a package is so important that should one of them be rejected and the others permitted to go through, we would have to carefully consider whether it would be wise to withdraw the other sale or sales.

Under the proposal Israel would retain a substantial margin of air superiority in the region. A number of Israeli aircraft must be replaced in the years ahead and the F-15s and F-16s are intended to help meet that requirement.

Egypt has a steadily deteriorating military arsenal composed of Soviet supplied equipment. The F-5s would give Egypt the fighter aircraft it needs to maintain a minimum defensive capability.

Saudi Arabia is inadequately equipped to defend itself. The F-15 is primarily an air-defense fighter, even with these planes, the Saudis will have the smallest armed force of any major state in the Middle East. The U.S. looks to Saudi Arabia to continue to play a moderating role in the peace process.

1523

THE WHITE HOUSE
WASHINGTON

March 21, 1978

Stu Eizenstat

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

RE:CALL TO Rick Hutcheson
ARTHUR GOLDBERG

THE WHITE HOUSE
WASHINGTON

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<input type="checkbox"/>	FOR INFORMATION
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<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
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<input type="checkbox"/>	<input type="checkbox"/>	SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
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<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	GAMMILL

<input type="checkbox"/>	KRAFT
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	MOE
<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PETTIGREW
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

done
J
3/18/78

Mr. President,

Stuart called with this
message:

He thinks it's important
you talk to Arthur Goldberg
about a message he has
from Begin on UN Res. 242.

fran

(Fran suggested that you might want
to do this Monday night.)

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

March 20, 1978

C

MEMORANDUM FOR THE PRESIDENT

FROM: Bob Lipshutz *BJL*

SUBJECT: Prosecution of Two ITT Officials Relative
to Activities Related to the 1970 Presidential
Election in Chile

Pursuant to my memorandum earlier today, which was sent to you at Sea Island, and your advice to me accepting my recommendation, I have sent the attached memorandum to the Attorney General and the Director of Central Intelligence.

For your file I am attaching the complete memorandum from the Attorney General and the complete memorandum from the Director.

Confirming my oral response to your inquiry about the delay in time by the Attorney General, this case involved alleged criminal violations which occurred five years prior to the date of filing the charge. The testimony of the parties, which was given in 1973, related to events which occurred in connection with the Presidential election in Chile in the year 1970.

I have urged the Attorney General and the Director to allow sufficient time for a thorough review of any future matters which might arise and which could require your decision, particularly with reference to the declassification of documents, so that we will not be faced with a "last minute" decision on something which requires thorough and careful consideration and deliberation.

THE WHITE HOUSE

WASHINGTON

March 20, 1978

C
/

MEMORANDUM

TO: Honorable Griffin B. Bell
Attorney General
U. S. Department of Justice

Honorable Stansfield Turner
Director
Central Intelligence Agency

FROM: Robert J. Lipshutz
Counsel to the President *RJL*

SUBJECT: Prosecution of Two ITT Officials for Alleged
Violations of Federal Law in Connection with
their Testimony Concerning ITT Activities
Related to the 1970 Presidential Election in
Chile

On behalf of the President, and confirming my oral report to each of you, through Ben Civiletti and Tony Lapham earlier this afternoon, I wish to respond to the two memoranda sent by you to the President: the memorandum of March 17, 1978, from the Attorney General; and the memorandum of March 18, 1978, from the Director of Central Intelligence.

The President will not intervene in the decision-making process of the Attorney General relative to the question of filing these charges. This would contravene his consistently stated position that he will not interfere with the Department of Justice in its prosecutions under the criminal laws.

Relative to the question of declassification of material or documents, or the calling of witnesses employed by the CIA, either in discovery proceedings or in trials which might follow the filing of such charges, it is his hope that the Attorney General and the classifying agency can agree on such matters, after balancing off the need to utilize such evidence in prosecutions against the harm that might result to the national security by the disclosure of information or exposure of witnesses in the course of such prosecutions.

page 2

Should the Attorney General and the classifying agency not be able to reach an agreement as to any such items, either party of course has the right to request the President to review such decisions at that time.

THE PRESIDENT HAS SEEN.

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

CHARLES L. SCHULTZE, CHAIRMAN
LYLE E. GRAMLEY
WILLIAM D. NORDHAUS

March 20, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Bill Nordhaus *WN*
SUBJECT: Economic Effects of the Coal Strike

This memorandum is in response to a request by Bob Lipshutz on Saturday, March 18 for an updated assessment of our best guess about the impact of a continuation of the coal strike without a Taft-Hartley injunction. Our best guess shows a far more limited impact than the conservative assumptions which were used to support the affidavits.

Our projections reflect the collective judgment of those in the Interagency Coal Strike Task Force (CEA, DOE, and DOL) about the values of the following critical variables in the ECAR region: coal deliveries, coal stocks, non-coal generation, and wheeled-in power.

Earlier Projections

In the Schultze-Nordhaus memorandum of March 11, we reported both a best-guess and a conservative case. Our best guess suggested that a continuation of the strike would lead to a reduction of one percentage point in regional output and would generate layoffs of about 100,000 by the end of March. In the conservative case (characterized by low levels of coal deliveries as well as other pessimistic assumptions), electricity curtailments were estimated to generate over 1 million layoffs by the end of March and over 3 million in April.

Latest Projections

Since our earlier memorandum, coal deliveries have increased from 900,000 in the last week of February to 1.25 million tons for the week ending March 11. Non-coal generation and wheeled-in power continue to run well above normal, with some unused potential.

As a result, layoffs in the region affected most by the strike have risen from 9,500 in the week ending February 18 to only 22,900 in the latest survey week of March 11. In general, experience has been quite close to our best-guess projections.

We are now projecting that, under the best-guess parameters, continuation of the strike without the Taft-Hartley injunction would lead to a moderate increase in unemployment, reaching around 200,000 in the middle of April. Layoffs would be held to this order of magnitude through the end of May. Obtaining a Taft-Hartley injunction under the best-guess assumptions would slow the increase in unemployment: layoffs would not reach the 200,000 level until the beginning of May.

Caveats

There are many uncertainties in this projection. First, the best-guess projections depend heavily on the assumption that weekly coal deliveries to ECAR remain at their present level of 1.25 million tons. It is possible, however, that if the current proposed contract is not ratified and if progress toward a settlement slows down, violence or other disruptions could force deliveries down to 300,000-600,000 tons/week -- their levels prior to mid-February. Second, if at the same time a lengthened strike weakens the capability of neighboring utilities to export power, unemployment could rise to over 1 million in the first two weeks of April and possibly as high as 3.5 million by the end of April. It was on this conservative prudent planning basis that the current affidavits were prepared.

1494

THE WHITE HOUSE
WASHINGTON
March 21, 1978

Zbig Brzezinski

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original of the incoming as well as the outgoing letters have been given to Frank Moore for appropriate handling.

Rick Hutcheson

cc: Frank Moore

RE: LETTER TO SEN. LONG ON IMPORT
OF NATURAL GAS FROM MEXICO

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

ACTION

March 18, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *B for*
SUBJECT: Letter to the President from
Senator Long

Attached at Tab A is a proposed reply to Senator Long's letter of February 28 concerning the import of natural gas from Mexico and his concerns on how it will impact on his state (Tab B). After you have signed the letter to Senator Long, I will task the Department of State and the Department of Energy to look into the issues raised in Senator Long's letter and give me a full report.

RECOMMENDATION:

That you sign the letter to Senator Long.

THE WHITE HOUSE

WASHINGTON

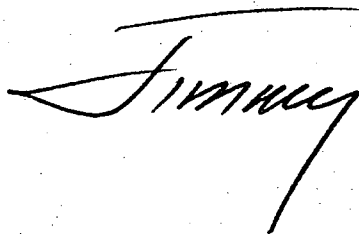
March 21, 1978

To Senator Russell Long

Thank you for your letter of February 28
on the import of natural gas from Mexico.

Given the issues you raise, I have asked
Secretaries Vance and Schlesinger to look
into the matter of your concerns and give
me a full report.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jimmy", with a long horizontal line extending from the top of the first letter.

The Honorable Russell B. Long
United States Senate
Washington, D. C. 20510

United States Senate

WASHINGTON, D.C. 20510

February 28, 1978

SAZ
EN00

The Honorable Jimmy Carter
The White House
1600 Pennsylvania Avenue
Washington, D. C. 20500

NSC
CONGRESSIONAL

Dear Mr. President:

MAR 7 1978

The purpose of this letter is to request your support for the distribution to Louisiana of a fair share of the natural gas to be imported from Mexico.

I am deeply concerned about the effect of the natural gas shortage on Louisiana and the apparent misunderstanding that exists in official circles regarding the levels of existing and potential gas supplies for the consumers in my state. Louisiana has delivered more than 73 trillion cubic feet (Tcf) of gas to the interstate market during the years 1963-77. Most of this gas leaves the state to serve the midwest and the northeast.

The fact is that, while 26 interstate pipelines take gas from Louisiana, only three pipelines --- United Gas Pipe Line Company, Arkansas-Louisiana and Mid-Louisiana --- supply any substantial quantities of interstate gas to Louisiana customers. Although substantial quantities of onshore Louisiana gas are now sold in the intrastate market, about half of Louisiana's onshore marketed production is still dedicated to the interstate market. Thirty-two states receive gas directly from Louisiana. Historically, Louisiana has exported approximately as much gas to the rest of the country as all other gas-exporting states combined.

The result is that Louisiana remains very dependent on interstate supplies to meet gas needs within the state.

United Gas Pipe Line Company alone supplies about 68 per cent of all residential and commercial gas consumed in Louisiana. United also provides gas to over 1,200 Louisiana industries, most of which are small and highly gas-dependent businesses.

Unfortunately, United has been the most heavily curtailed U. S. interstate pipeline with curtailments of almost 50 per cent of its systemwide requirements --- and over 60 per cent of its Louisiana requirements! --- during the past two years.

As a result, Louisiana finds itself in the position of furnishing vast quantities of gas to other areas and yet having a severe gas shortage of its own, with the largest curtailments of any single state in 1976 --- approximately 10 per cent of all curtailments nationwide.

United's projections indicate that even high-priority Louisiana customers will be partially or wholly curtailed by the 1978-79 winter season. Industrial curtailments have a particularly severe effect on Louisiana's economy. As a result of historic dependence on natural gas, many Louisiana gas users do not have the alternate capacity to utilize oil, propane and coal facilities which are common to many other areas. Much of Louisiana's interstate system is not paralleled by intrastate lines which could serve the same customers, as is the case in some other gas producing areas. Nor can intrastate gas be co-mingled and transported through interstate lines without becoming interstate gas, and thus becoming subject to both the pricing and end-use controls of the Federal Government. The result is that many Louisiana customers served by interstate suppliers cannot offset interstate curtailments by increasing their intrastate gas purchases, even if that gas were available.

One promising means of improving Louisiana's gas supply position would be to include a Louisiana gas supplier in the proposed project to import natural gas from Mexico. The six pipelines originally selected by Pemex to participate in the project primarily serve other regions. The result is that Louisiana would receive almost no gas from Mexico, despite the state's enormous contribution to the gas supplies of other states and its own very high level of gas curtailment.

Frankly, Mr. President, we in Louisiana consider it simply unconscionable to permit all of this Mexican gas to go to other geographic areas, which have better supply positions and are served by pipelines with lower levels of curtailment. The well-reasoned observations you made as to the need for geographic equity in your approval of the Alaskan gas project are equally applicable here.

On the subject of equity, permit me to refer here to a subject which has nothing directly to do with the Mexican gas issue, but which is so unfair to Louisiana as to argue strongly for compensatory relief of some sort. In 1976, Mr. President, some 3.5 Tcf of gas was produced from federal waters offshore Louisiana, virtually all of which was dedicated to interstate commerce. Both in that year, and in 1977, and at present, less than 2 per cent of the Louisiana OCS production of natural gas ultimately remains in Louisiana. One can only speculate at what might be the reaction of the people of Massachusetts or New York or any other coastal state which was able to use only 2 per cent of the gas produced in the federal OCS off its own coast. They would not like the situation any more than we do and would be seeking the same sort of equitable relief as we now seek.

I believe there is a reasonable solution to this problem. Original commitments of the Mexican gas were for a maximum of 2 BCF per day, but I understand the capacity of the Mexican pipeline will exceed 2.5 BCF. If the project were expanded to the full capacity of 2.5 BCF and United, the major supplier of interstate gas to the Gulf coast region, including Louisiana, were permitted to participate for the additional 0.5 BCF, the geographic distribution of gas would be much fairer. Even then the quantity would still be far less than this region's prorata share of curtailments. Louisiana suffered almost 10 per cent of the nation's curtailments in 1976, and the Gulf coast states had almost 20 per cent of the total. Under my proposal, Louisiana and the Gulf coast would receive only about 4 per cent and 8 per cent of the Mexican gas respectively, whereas these areas would receive a miniscule .07 per cent and less than 1.5 per cent respectively under the existing arrangements.

I am well aware that the selection of U. S. pipelines was made by Pemex rather than by our government and that the original agreement has expired because of a failure of the U. S. and Mexican governments to agree on price. However, our country's need for this gas is so intense and the benefits to Mexico of exporting the gas are so apparent, I cannot help but feel that the price issue will eventually be resolved and that the project will proceed. At that time, it seems altogether appropriate to me that our government should make known its views (a) that the geographic distribution of the gas is important to us in evaluating the desirability of the project and (b) that the inclusion of Louisiana's and the Gulf Coast's major interstate supplier, United, would substantially improve that distribution as compared to geographic need.

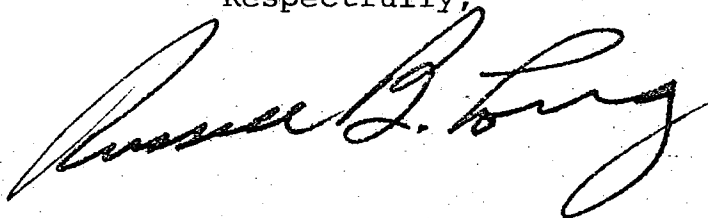
The Honorable Jimmy Carter

-4-

February 28, 1978

I am taking the liberty of sending copies of this letter to Secretary Vance and Secretary Schlesinger, in view of their jurisdiction over aspects of the matter. This is an extremely important matter to my state. I hope that it will have your personal attention and support.

Respectfully,

A handwritten signature in dark ink, appearing to read "Russell B. Long". The signature is fluid and cursive, with a large, sweeping initial "R" and a long, trailing flourish at the end.

cc: Secretary Schlesinger
Secretary Vance

DISTRIBUTION OF MEXICAN GAS BY GEOGRAPHIC
REGION (INCLUDING ENLARGEMENT OF PROJECT TO 2.5 BCF)
AS COMPARED TO 1976 CURTAILMENTS

<u>Geographic Region</u>	<u>1976 Curtailments in BCF 1/</u>	<u>As % of National Total</u>	<u>Present Mexican Distribution As % of Total 2/</u>	<u>Expanded Mexican Distribution As % of Total 2/</u>
<u>Appalachian</u>				
Delaware	8.6	.28	.06	.05
District of Columbia	-	-	.12	.12
Kentucky	59.0	1.85	1.23	1.54
Maryland	38.0	1.19	1.50	1.33
New Jersey	113.0	3.55	4.88	4.51
New York	138.0	4.35	10.97	9.62
Ohio	237.0	7.43	10.68	9.88
Pennsylvania	195.0	6.13	12.50	11.28
Virginia	44.0	1.37	1.47	1.26
West Virginia	29.1	.91	1.33	1.30
TOTAL	861.7	27.06	44.74	40.89
<u>Southeast</u>				
Alabama	76.0	2.40	3.18	3.80
Florida	35.0	1.09	3.53	3.49
Georgia	91.0	2.85	3.15	3.02
N. Carolina	101.0	3.17	1.49	1.19
S. Carolina	29.0	.90	1.19	1.13
Tennessee	99.3	3.12	3.73	3.42
TOTAL	431.3	13.53	16.27	16.05
<u>Great Lakes</u>				
Illinois	298.0	9.36	2.51	3.65
Indiana	110.3	3.47	1.82	1.96
Michigan	192.1	6.04	.02	.05
Wisconsin	30.0	.94	2.01	1.63
TOTAL	630.4	19.81	6.36	7.29
<u>Gulf Coast</u>				
Arkansas	152.0	4.78	.05	.18
Louisiana	311.4	9.79	.07	3.96
Mississippi	142.0	4.45	.68	2.53
Texas	16.0	.50	.57	1.16
TOTAL	621.4	19.52	1.37	7.83
<u>Pacific Southwest</u>				
Arizona	49.1	1.54	1.88	1.51
California	258.3	8.12	18.57	14.85
Nevada	2.6	.08	.31	.25
New Mexico	18.0	.56	.67	.54
TOTAL	328.0	10.3	21.43	17.15
<u>Other</u>	313.5	9.78	9.83	10.79

1/ Source: FPC News Release No. 22929, Bureau of Natural Gas Staff Report issued February 22, 1977, Schedule V.

2/ Assumes that Mexican supplies obtained by participating pipelines would be distributed geographically in the same ratios as their total gas supplies for 1976. Distribution of total 1976 supplies determined using individual pipelines' FPC Form 2 Reports for year ending December 31, 1976 where available or estimated using FPC National Gas Flow Patterns, 1975, issued February, 1977.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

March 21, 1978

MEMORANDUM FOR FRANK MOORE

FROM: DAN TATE

SUBJECT: Senate Action on Farm Legislation

*to: the president
F-71*

As a direct result of our inaction and indecisiveness, we are in a virtually hopeless situation as the Senate acts on "emergency" farm legislation today.

We have steadfastly maintained that no new agriculture legislation is needed and, in fact, substantial administrative relief would be premature. Unfortunately, the Senate feels differently -- probably because of intense pressure from both striking farmers and even traditional farm organizations but perhaps because Senators do not agree with our assessment of the agricultural economy and the adequacy of the existing program.

Last week the Senate Agriculture Committee reported the Talmadge land diversion bill but only after defeating a proposed amendment to increase target prices and loan levels for wheat and feed grains by 50¢ a bushel (on an 8 to 8 tie vote). The Committee also reported the Dole flexible parity bill and agreed that the bills would be considered and passed in succession today by the Senate. In securing this agreement Talmadge outsmarted Dole -- he planned to take his land diversion bill directly to conference with the House (since the Talmadge measure was actually already attached to a minor House-passed bill providing a marketing order for raisins) and leave Dole's bill to languish in the House Agriculture Committee. Talmadge felt that separate action on and even passage of the Dole bill could have the following positive effects: (1) Senators would have an opportunity to say to their farmers that they had voted for a parity bill; (2) Dole's measure would not be acted upon by the House before the Talmadge measure, appropriately modified to meet our objections, was on its way to the White House for action; and (3) the President would not be forced to veto a farm bill -- even one as irresponsible as Dole's -- and thus incur the wrath of farm states, cause farm state Congressmen to run against the President this year, and launch Dole's presidential campaign at our expense.

On Monday Dole finally grasped what Talmadge was attempting and now

plans to offer (or have someone offer for him) the flexible parity approach as an amendment to the Talmadge bill.

In turn, Talmadge has been forced to agree to accept Senator McGovern's amendment to increase target prices and loan levels for wheat, feed grains, and cotton as follows: wheat -- t/p of \$3.55 and 1/1 of 2.80; feed grains -- t/p of \$2.50 and 1/1 of \$2.25; cotton -- t/p of \$0.60 and no increase in the loan level. Talmadge believes that McGovern's amendment will make his bill more attractive and, hopefully, help beat back Dole's efforts to attach his proposal to the land diversion bill.

Late last week Talmadge asked the Administration to vigorously lobby against the Dole approach. His call-to-arms was hardly responded to and, as a consequence, Talmadge is seriously considering accepting the flexible parity amendment when it is offered. Apparently, his rationale is that if we do not care enough to fight Dole -- for both legislative and political reasons -- then why should he; after all, he is under great political pressure from Georgia farmers and he does not want his leadership rebuffed by the Senate. In short, if we are indifferent, then he stands to gain more from switching than fighting.

Of course, if the Dole approach is attached to the Talmadge measure, it will go into the conference committee and almost surely will emerge and be sent to us for action. If we sign the bill, we have caved into a Republican initiative by Dole and, if we veto the bill, we have alienated the farm vote and made Dole a hero.

We must stop Dole.

THE PRESIDENT HAS SEEN

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

March 18, 1978

C/

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *cas 6/25/78*

Subject: Revised GNP for the Fourth Quarter of 1977.

On Monday (March 20) at 2:00 p. m. the Commerce Department will release a revised estimate of GNP in the fourth quarter. Real GNP growth in that quarter is now estimated at 3.8 percent, annual rate. The earlier estimate was 4.0 percent. This revision is too small to be of any significance. The press, however, may play it as one more bit of evidence pointing to weakness in the economy.

Corporate profits were down somewhat in the fourth quarter from the third quarter level, but were still 4-1/2 percent higher than the average level in the first three quarters of the year.

3/20/78

THE WHITE HOUSE
WASHINGTON

Schmidt - Elan/Elu

Sadat ✓

Kha

Torrijos

Obasanjo

Mungistu

Prins ✓

Ercwit/Caramanlis ✓

Humphrey AID ✓

—
THE WHITE HOUSE
WASHINGTON

MARCH 21, 1978
4:00 P.M.

MR. PRESIDENT

THE SENATE PASSED THE DOLE
FLEXIBLE PARITY AMENDMENT BY A
VOTE OF 55 TO 39.

FRANK MOORE

C
1

THE WHITE HOUSE
WASHINGTON

March 21, 1978
Wednesday - 6:00 p.m.

MR. PRESIDENT

FROM : JOE CALIFANO

I have settled the dispute with Russell Long over the child support enforcement "good cause" regulations. The Chairman and I are in agreement on the course of action we are taking.

THE WHITE HOUSE

WASHINGTON

LEADERSHIP BREAKFAST

2/21/78

Debt ceiling

Begin visit

CRBR

Airline regulatory reform

Inflation - Budget

Defense budget

Farm bill - against Dole

Mid East arms - Hold ^{Panama}

Energy - fragile majority in Senate

Panama - Torrijos

Fed Elections

Postal Reform

Tuition grants

Social Security

THE WHITE HOUSE
WASHINGTON

April 21, 1978

Stu Eizenstat
Jim McIntyre

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Frank Moore

PRESIDENT'S COMMISSION ON
PENSIONS AND RETIREMENT
POLICY

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
/		EIZENSTAT
		JORDAN
		LIPSHUTZ
/		MOORE
		POWELL
		WATSON
/		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE

WASHINGTON

April 21, 1978

Mr. President:

I am concerned that if Mr. Kirbo chairs this commission the Senate may require his confirmation and attempt to get into all of his financial holdings, etc. While this possibility is somewhat lessened by our recommendation of beginning the commission with an Executive Order, it is still a possibility. Moreover, even if no confirmation is required there may be extensive requests for a financial disclosure due to the importance of the commission. It would be wise to have Ham ask Mr. Kirbo about this before any public announcements are made about his chairmanship.

Stu

Mr. President:

Congressional Liaison: If it is important that the Commission be established quickly, it should be done by Executive Order, not legislation. Legislation would go to 3 or 4 committees, and raise lots of problems.

Watson, Lipshutz and Cruikshank had no comment.

Rick

THE WHITE HOUSE

WASHINGTON

April 21, 1978

C

MEMORANDUM TO: THE PRESIDENT

FROM: STUART EIZENSTAT *Stu*
JIM MCINTYRE *Jim*

SUBJECT: President's Commission on Pensions and Retirement Policy

There are traditionally two methods of establishing a commission of this sort: legislation or executive order. Legislation will be ultimately required in this case because an executive order can only establish the commission for one year and it is recommended that this commission run at least two years. Reliance on legislation alone, however, will tend to delay the establishment of the Commission for these reasons:

- the legislation will probably be sent to no less than four committees in each house of the Congress which means there is almost no chance of enactment this session;
- even if the Government Affairs/Government Operations Committees were the only committees requesting jurisdiction, they might request confirmation hearings for the Commission chairman, especially if Charles Kirbo decides to accept this position.

We have discussed an alternative approach which permits us to establish the Commission immediately while still seeking congressional action.

The Commission on Pensions and Retirement Policy could be established temporarily by executive order while, simultaneously, legislation was sent to the Hill which would authorize the Commission for its full life. There are many precedents for this type of action, the most significant being when President Kennedy established the Peace Corps temporarily by executive order while at the same time sending legislation to the Congress to establish

the Corps permanently. There are several advantages to this strategy:

- the Commission can be established and begin its work immediately;
- we can avoid the appearance of circumventing Congress;
- the Congress, when considering the legislation, will be less likely to obstruct the work of an existing body.

The draft legislation calls for the Commission to operate for only two years. We believe that the Commission should operate for longer than two years in order to adequately deal with its mandate. Also if the Commission were to operate for longer than two years, the final report and recommendations would be issued after the 1980 election. The Commission could run beyond 1980 if it were established by executive order and continued for two years from the date the legislation is passed. In any event, interim reports can appear prior to the final report.

We believe that it is very important to establish the Commission as quickly as possible. In June it will be one year since you announced your intention to name the Commission. We recommend that we establish the Commission on Pensions and Retirement Policy immediately by executive order and simultaneously send legislation to the Congress establishing the Commission permanently. We further recommend that the Commission run two full years from the date the legislation is ultimately approved.

Decision

Establish the Commission on Pensions and Retirement Policy temporarily by executive order, while simultaneously sending legislation to the Congress,

☒ Approve
☐ Disapprove

The Commission on Pensions and Retirement Policy should continue operation two full years following enactment of legislation.

☐ Approve
☐ Disapprove

*Will decide
later - I think now
that 1 + 1 = 2 is enough*

THE WHITE HOUSE
WASHINGTON

March 21, 1978

Frank Moore

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: The Vice President
Stu Eizenstat
Hamilton Jordan
Jack Watson

WEEKLY LEGISLATIVE REPORT

~~CONFIDENTIAL ATTACHMENT~~

Determined to be an administrative memorandum
CANCELLED PER E.O. 12356, SEC. 1.3 AND
ARCHIVIST'S MEMO OF MARCH 16, 1983

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
	✓	MONDALE
		COSTANZA
	✓	EIZENSTAT
	✓	JORDAN
		LIPSHUTZ
✓		MOORE
		POWELL
	✓	WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

Frank
C

THE WHITE HOUSE

WASHINGTON
March 18, 1978

~~CONFIDENTIAL~~

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

THE PRESIDENT

FROM:

FRANK MOORE *FM*

SUBJECT:

Weekly Legislative Report

1. ENERGY

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DECLASSIFIED TO BE AN ADMINISTRATIVE MANDATE
CANCELLED PER E.O. 12958, SEC. 1.1 (a) (1)
ORIGINAL SOURCE OF DOCUMENT IS, 1978

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*Veto
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*NOT ON BOARD See Septerm memo
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--The atmosphere among Ways and Means members is somewhat hostile. The Committee was very upset with OMB for releasing shortfall figures of \$8 BILLION one week after the floor defeat of the debt ceiling bill. They feel that this action undercut their efforts and that they cannot defend any of the Administration's estimates on the debt. Committee members, particularly the Republicans, are also disturbed with the Leadership for defeating Title II (making the debt ceiling a part of the Budget Resolution) on the floor the last time around.

--Both House and Senate are expected to act on the extension next week.

11. AIRLINE REGULATORY REFORM

--House markup should be finished on Tuesday. Congressman Cochran (R-Miss) is sponsoring a limited market entry amendment that would allow entry into markets of 350 miles or less. Congressman Ertel (D-Pa) is sponsoring a complete entry amendment. Cochran's amendment probably will be adopted in a compromise situation. If the bill is marked up before the recess, we are in good shape.

12. POSTAL REFORM

--After some confusion, we have cleared for floor action on Monday the postal bill that will include our agreed upon amendments. It should pass, but the postal service (not White House staff) is gearing up opposition to several amendments on which we took no position. We will continue to work with the Senate to fashion an acceptable bill.

13. MISCELLANEOUS

Congressional Travel During Recess: With the Easter vacation approaching, more than 100 Members of the House and Senate will be heading overseas. The bulk of the travel will be to Europe. Four groups will leave Washington next week, each with 15 to 20 legislators. They are:

A House Armed Services group headed by Chairman Price, going to the Soviet Union and Western Europe.

A delegation headed by Congressman Ryan (D-Cal), attending the European Parliamentary meeting in Italy.

A House Leadership delegation headed by Congressman Rostenkowski, travelling to Geneva, Stockholm and Yugoslavia.

A Congressional delegation to the Interparliamentary Union meeting in Lisbon.

Three Congressmen are visiting Africa (Diggs, Whalen and Solarz); Jack Brooks and several members of his Legislation and National Security Subcommittee will be

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travelling to Ecuador, Peru and Brazil; and Senator Javits will be visiting Greece, Turkey and Israel over the Easter holiday period.

--Treasury advises that Senator Muskie and Congressman Giaimo will probably send you a letter outlining budget items in dispute and requesting the Administration's cooperation in a joint effort to hold spending to the budget figures.

--Chairman Ribicoff has agreed to postpone his hearings on the Education Department until mid-April on the condition that the Administration testify on specifics rather than generalities. You should get the decision memo around April 4.

--DOT advises that House Public Works Subcommittee Chairman, Jim Howard, will introduce his own Highway/Transit legislative package before the recess. The bill, which does not include many of the Administration's proposals, is essentially a continuation of the existing legislation with some money categories thrown in for good measure.

--The oil, gas and mining industry interests won a number of concessions in the final stages of Interior Committee markup on the Alaska lands legislation. The bill now goes to the Merchant Marine & Fisheries Committee. Subcommittee action in this Committee should be completed by May 1.

--In a Defense Appropriation Subcommittee hearing on shipbuilding claims last Thursday, Admiral Rickover took on Rep. Jack Kemp (R-NY) about the question of shipbuilder fraud.

FLOOR ACTIVITIES, WEEK OF MARCH 20

House

Monday -- Call of unanimous consent calendar

-- 4 suspensions:

- 1) Southern Crescent Rail Service. The Administration opposes this resolution, which states the sense of Congress that Amtrak should take over operations of a Southern Railway passenger line between Washington, D.C., and New Orleans, via Atlanta. DOT is currently doing a study of Amtrak's route structure. Amtrak's Board of Directors has voted against assuming operation of this line. Reps. Staggers and Rooney are the primary sponsors.
- 2) White House Authorization. The Administration strongly supports the bill as reported.
- 3) Small Business Act Amendments. The Committee reported bill is not yet available for analysis.
- 4) Middle Income Student Assistance.

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-- Postal Reform Act.

-- a series of Committee funding resolutions

-- Maritime Rebating. The Administration has not yet taken a position on the bill.

Tuesday -- Call of private calendar

-- Debt Limit Extension (subject to a rule being granted).

-- FEC Act Amendments (subject to a rule being granted).

Wednesday-- FEC Act Amendments (finish consideration).

-- Emergency Disaster Relief Appropriations. Although this joint resolution is not yet available for analysis, it is our understanding that it will contain about \$300 million for disaster relief. This would be consistent with a \$150 million supplemental contained in the January budget and an additional OMB recommendation for \$150 million which you should have shortly.

-- International Banking (rescheduled from last week).

-- The House will recess until April 3.

Senate

-- The Senate will continue action on the Panama Canal Treaty. Action on farm legislation is scheduled for Tuesday. The Debt Limit extension must be enacted before the end of the month.

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THE WHITE HOUSE
WASHINGTON

March 20, 1978

MR. PRESIDENT:

You may have seen the attached
as it was sent to St. Simons
in case you wanted to read it
on the plane.

Frank Moore

THE WHITE HOUSE

WASHINGTON
March 18, 1978

Frank
see other
copy
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ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

THE PRESIDENT

FROM:

FRANK MOORE *FM*

SUBJECT:

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--Both House and Senate are expected to act on the extension next week.

11. AIRLINE REGULATORY REFORM

--House markup should be finished on Tuesday. Congressman Cochran (R-Miss) is sponsoring a limited market entry amendment that would allow entry into markets of 350 miles or less. Congressman Ertel (D-Pa) is sponsoring a complete entry amendment. Cochran's amendment probably will be adopted in a compromise situation. If the bill is marked up before the recess, we are in good shape.

12. POSTAL REFORM

--After some confusion, we have cleared for floor action on Monday the postal bill that will include our agreed upon amendments. It should pass, but the postal service (not White House staff) is gearing up opposition to several amendments on which we took no position. We will continue to work with the Senate to fashion an acceptable bill.

13. MISCELLANEOUS

Congressional Travel During Recess: With the Easter vacation approaching, more than 100 Members of the House and Senate will be heading overseas. The bulk of the travel will be to Europe. Four groups will leave Washington next week, each with 15 to 20 legislators. They are:

A House Armed Services group headed by Chairman Price, going to the Soviet Union and Western Europe.

A delegation headed by Congressman Ryan (D-Cal), attending the European Parliamentary meeting in Italy.

A House Leadership delegation headed by Congressman Rostenkowski, travelling to Geneva, Stockholm and Yugoslavia.

A Congressional delegation to the Interparliamentary Union meeting in Lisbon.

Three Congressmen are visiting Africa (Diggs, Whalen and Solarz); Jack Brooks and several members of his Legislation and National Security Subcommittee will be

travelling to Ecuador, Peru and Brazil; and Senator Javits will be visiting Greece, Turkey and Israel over the Easter holiday period.

--Treasury advises that Senator Muskie and Congressman Giaimo will probably send you a letter outlining budget items in dispute and requesting the Administration's cooperation in a joint effort to hold spending to the budget figures.

--Chairman Ribicoff has agreed to postpone his hearings on the Education Department until mid-April on the condition that the Administration testify on specifics rather than generalities. You should get the decision memo around April 4.

--DOT advises that House Public Works Subcommittee Chairman, Jim Howard, will introduce his own Highway/Transit legislative package before the recess. The bill, which does not include many of the Administration's proposals, is essentially a continuation of the existing legislation with some money categories thrown in for good measure.

--The oil, gas and mining industry interests won a number of concessions in the final stages of Interior Committee markup on the Alaska lands legislation. The bill now goes to the Merchant Marine & Fisheries Committee. Subcommittee action in this Committee should be completed by May 1.

--In a Defense Appropriation Subcommittee hearing on shipbuilding claims last Thursday, Admiral Rickover took on Rep. Jack Kemp (R-NY) about the question of shipbuilder fraud.

FLOOR ACTIVITIES, WEEK OF MARCH 20

House

Monday -- Call of unanimous consent calendar

-- 4 suspensions:

- 1) Southern Crescent Rail Service. The Administration opposes this resolution, which states the sense of Congress that Amtrak should take over operations of a Southern Railway passenger line between Washington, D.C., and New Orleans, via Atlanta. DOT is currently doing a study of Amtrak's route structure. Amtrak's Board of Directors has voted against assuming operation of this line. Reps. Staggers and Rooney are the primary sponsors.
- 2) White House Authorization. The Administration strongly supports the bill as reported.
- 3) Small Business Act Amendments. The Committee reported bill is not yet available for analysis.
- 4) Middle Income Student Assistance.

-- Postal Reform Act.

-- a series of Committee funding resolutions

-- Maritime Rebating. The Administration has not yet taken a position on the bill.

Tuesday -- Call of private calendar

-- Debt Limit Extension (subject to a rule being granted).

-- FEC Act Amendments (subject to a rule being granted).

Wednesday- FEC Act Amendments (finish consideration).

-- Emergency Disaster Relief Appropriations. Although this joint resolution is not yet available for analysis, it is our understanding that it will contain about \$300 million for disaster relief. This would be consistent with a \$150 million supplemental contained in the January budget and an additional OMB recommendation for \$150 million which you should have shortly.

-- International Banking (rescheduled from last week).

-- The House will recess until April 3.

Senate

-- The Senate will continue action on the Panama Canal Treaty. Action on farm legislation is scheduled for Tuesday. The Debt Limit extension must be enacted before the end of the month.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

20 March 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

RICK HUTCHESON *R.H.*

SUBJECT:

Status of Presidential Requests

EIZENSTAT:

1. (2/16/77) Opportunity for regulatory reform -- In Progress, (proposed Executive Order with Senior Staff; signing ceremony scheduled for 3/23).
2. (3/13) Briefly comment on the confidential Henry Owen memo concerning the Humphrey bill -- In Progress, expected 3/24).

LIPSHUTZ:

1. (2/6) Give the President a final analysis of what our responsibilities are vs. foreign governments for UN protection in New York City -- Done. *done*

McINTYRE:

1. (1/9) (and Eizenstat, Marshall, Kreps & Blumenthal) Give the President a decision memo on the National Center for Productivity and Quality of Working Life -- In Progress, (OMB has completed the memo; Senior Staff is reviewing; expected 3/23).

BOURNE:

1. (3/6) How can we get maximum benefit without a separate commission on killers and cripples? -- Done. *done*

SCHULTZE:

1. (2/23) Brief assessment of the Blumenthal memo dated 2/22 concerning energy and the dollar -- Done. *done*

BRZEZINSKI:

1. (1/17) (~~Secret~~) Consult with Vance, H. Brown, and H. Jordan and advise the President on how best to use the information concerning your memo on comparison of SS-20 and ER warhead -- Done (in evening meeting on 3/20). ?
2. (2/14) Isn't there already a moratorium on the testing of nuclear weapons in space, regarding letter from Sen. Stevenson -- Done (attached). *done*
3. (3/3) Route this letter from Mrs. Makarezos regarding political prisoners to State for appropriate analysis -- Done, (NSC recommendation: "The petition requests Presidential help to secure the release of several members of the former military dictatorship of Greece who are now in prison. NSC recommends that the President not respond, since any comment is likely to be viewed as an unwarranted intervention in a strictly domestic problem. There is no evidence of mistreatment of these individuals and their confinement results from trials which were open to observers from outside Greece.") *ok done*

ATTORNEY GENERAL BELL:

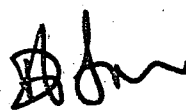
1. (3/13) Please give the President a brief assessment on encroachment of personal privacy. The President has been a little disturbed by recent articles on this; if true, this is a trend contrary to the basic philosophy of both you and the President -- In Progress, (expected 3/21).

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

ok
850

INFORMATION

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI 
SUBJECT: Letter to Senator Stevenson from
ACDA

Attached is a copy of the letter which Spurgeon Keeny, Acting Director of ACDA, sent to Senator Stevenson offering a briefing on weapons in space (Tab A). Also attached at Tab B is all the background material including Senator Stevenson's letter, my interim reply to the Senator, and my tasking memo to ACDA.

~~CONFIDENTIAL~~

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY
WASHINGTON

OFFICE OF
THE DIRECTOR

March 6, 1978

Dear Senator Stevenson:

I have been asked to respond to your letter of February 10 recommending negotiations on anti-satellite systems. I appreciate your strong desire that the United States initiate negotiations with the Soviet Union both for a moratorium on the testing and deployment of weapons in space and for an agreement to limit competition in anti-satellite programs. I share your concerns in this area and can assure you that a substantial effort is under way throughout the Executive Branch to prepare for such negotiations. Our objective is to complement and supplement the existing Outer Space Treaty banning weapons of mass destruction in space, and the SALT ONE and emerging SALT TWO ban on interference with national technical means of verification. The negotiations you suggest, and for which we are preparing, will probably prove to be extremely complex.

I am pleased to be able to report to you that this week we proposed to the Soviets that we begin negotiations promptly on this subject. We have not, however, yet received a reply from the Soviets. Although we are still in the process of preparing our position for these negotiations, we would be glad to brief you on this matter at your convenience and to continue a dialogue with you as our efforts unfold. I feel that a face-to-face discussion is the best way to convey to you both the nature of our effort and the complexity of this issue.

Sincerely,

Spurgeon M. Keeny, Jr.
Spurgeon M. Keeny, Jr.
Acting

The Honorable
Adlai E. Stevenson
United States Senate

~~CONFIDENTIAL~~

GDS

Jay 5/2/90

has believed by Dan Tate

United States Senate

WASHINGTON, D.C. 20510

February 10, 1978

~~CONFIDENTIAL~~

The President
The White House
Washington, D.C. 20500

NSC
CONGRESSIONAL

AND URBAN AFFAIRS
SUBCOMMITTEE ON
INTERNATIONAL FINANCE (CHAIRMAN)
COMMITTEE ON COMMERCE,
SCIENCE AND TRANSPORTATION
SUBCOMMITTEE ON SCIENCE,
TECHNOLOGY AND SPACE (CHAIRMAN)
SELECT COMMITTEE ON ETHICS
(CHAIRMAN)
SELECT COMMITTEE ON
INTELLIGENCE
SUBCOMMITTEE ON THE COLLECTION,
PRODUCTION AND QUALITY OF
INTELLIGENCE (CHAIRMAN)
DEMOCRATIC POLICY COMMITTEE

Dear Mr. President:

FEB 10 1978

I am disturbed by the failure of the United States to initiate negotiations with the Soviet Union for an immediate moratorium on the testing and deployment of weapons in space. If my information is correct, this subject has not even been proposed for the SALT III agenda. It is probably too late now for SALT II. My concern was expressed at hearings a year ago and arises from duties as Chairman of the Subcommittee on Science, Technology and Space of the Committee on Commerce, Science and Transportation, and also from my position on the Select Committee on Intelligence. My recent conversations in Moscow and Geneva have highlighted this concern. I assume that you are aware of these conversations and the response which followed from Mr. Shchukin in Geneva. I am not unaware of your own efforts in the matter. But I am chagrined to learn that the evident Soviet willingness to discuss the subject has so far been met by indecision in your Administration -- except for Secretary Brown's statement which I trust is for undisclosed bargaining purposes.

Unless an initiative is forthcoming promptly from the United States Government, the peaceful character of space will be seriously endangered, with the gravest consequences for humanity. The existence of credible threats to national means of verification will add a new element of instability to the concept of mutual deterrence and a powerful argument against SALT II in the Senate.

Given my responsibilities as Chairman of two Senate Subcommittees with jurisdiction in this matter, I intend to raise this issue publicly, and one opportunity will be present in the forthcoming hearings (March 8) by the

DETERMINED TO BE AN ADMINISTRATIVE

MARKING BY *AS* DATE 7/16/13SM
NA 62

The President
Page 2

February 10, 1978

Subcommittee on Science, Technology and Space covering the Department of Defense space program. While I recognize that disagreements exist within the Executive Branch over this issue, I strongly urge you to resolve these differences and fulfill your own expressed hope for bilateral U.S.-USSR negotiations leading to an arms control agreement covering the environment of space before it is too late.

I would welcome your response to this suggestion.

Sincerely, .

Hel. Linnier

THE WHITE HOUSE

WASHINGTON

February 24, 1978

Dear Senator Stevenson:

The President has asked me to ensure that your letter to him of February 10th concerning arms control in space is answered as comprehensively as possible. I have asked the Arms Control and Disarmament Agency (ACDA) to provide you a reply that conveys both the magnitude of our behind-the-scenes effort, and the complexity of this issue. ACDA will be responding to you in the next several days.

Sincerely,

Zbigniew Brzezinski

The Honorable Adlai Stevenson
United States Senate
Washington, DC 20510

WASHINGTON, D.C. 20506
February 24, 1978

~~CONFIDENTIAL~~ - GDS

MEMORANDUM FOR:

THE DIRECTOR, ARMS CONTROL AND DISARMAMENT
AGENCY

SUBJECT:

Letter to the President from Senator Stevenson
on Weapons in Space

Senator Stevenson has sent a letter to the President (Tab A) arguing for an immediate moratorium on the testing and deployment of weapons in space and the initiation of arms control negotiations on this subject. He expresses a particular concern about the impact of space weapons on national technical means of verification in the SALT context.

ACDA is requested to reply directly to Senator Stevenson on behalf of the President. I suggest that the reply contain an offer for ACDA personnel to brief the Senator, in order to avoid sending him a very complicated letter that tries to capture the enormity of the arms control problem in space. (In this regard, it would be appropriate to brief him on the conclusions recorded at the February 15th SCC meeting on ASAT.)

The interim reply as Tab B was forwarded to the Senator today.

Zbigniew Brzezinski

Zbigniew Brzezinski

970 FEB 27 PM 3 00

U.S. ARMS CONTROL
AGENCY

~~CONFIDENTIAL~~ - GDS

Jan 5/2/80

THE WHITE HOUSE
WASHINGTON

PLEASE SEND ME CC

THANKS -- SUSAN

cc

Susan +

me